



Daily Report

China

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General

PRC: Spokesman Warns U.S. on Imposing Sanctions Based on 'Rumors'

OW1502091196 Hong Kong AFP in English
0848 GMT 15 Feb 96

[FBIS Transcribed Text] Beijing, Feb 15 (AFP) — China warned the United States on Thursday [15 February] against imposing sanctions on the basis of "rumours" concerning Chinese transfers of weapons-related nuclear technology to Pakistan.

Reiterating Beijing's firm denial of US intelligence reports that any such transfers had taken place, Foreign Ministry spokesman Shen Guofang said any move by Washington to use sanctions would cause serious damage to the improvement of bilateral ties.

"The Sino-US relationship is now showing a momentum of gradual improvement which has not been easy to come by," Shen said.

"If the US side imposes unjustified sanctions against China, that would only end up seriously harming that relationship," he said, adding that Beijing hoped Washington "will not use rumours as the basis for making decisions."

US president Bill Clinton's foreign policy advisers reportedly failed to reach agreement earlier this week on how to punish China for the suspected transfers, which Pakistan has also denied.

Under a 1994 US law, the Nuclear Proliferation Prevention Act, the United States must impose massive penalties against China if the administration deems sufficient evidence of such a transfer exists.

Citing US intelligence, the Washington Times reported last week that China had shipped 5,000 ring magnets used in centrifuges that enrich uranium to a research laboratory in Kahuta, Pakistan.

"We have never transferred equipment or technology for producing nuclear weapons to any other country and nor will we do so in the future," Shen said, adding that as a signatory to the Nonproliferation Treaty (NPT), China did not "advocate, encourage or engage in nuclear proliferation."

While China does engage in cooperation programmes with foreign countries for the peaceful use of nuclear energy, Shen stressed that it abided by strict safeguards to "ensure that those programmes will not be used to manufacture nuclear weapons."

Rather than resorting to threats over sanctions, Shen said Washington and Beijing should hold round-table

discussions on how to solve existing "problems and differences."

PRC: Spokesman Warns U.S. IPR Sanctions 'Counter-Productive'

OW1502092496 Hong Kong AFP in English
0911 GMT 15 Feb 96

[By Tiffany Bown]

[FBIS Transcribed Text] Beijing, Feb 15 (AFP) — China and the United States ended Thursday [15 February] crucial talks aimed at heading off a new showdown on copyright piracy, with Beijing warning Washington that it would come off worst in any trade war.

This week's negotiations, which came ahead of the February 26 first anniversary of a Sino-US deal to protect intellectual property rights (IPR), were "useful" to both sides, Foreign Ministry spokesman Shen Guofang told journalists.

Shen did not elaborate on the content of the three-and-a-half day negotiations, while Assistant US Trade Representative Lee Sands, who headed the US team, declined to say whether progress had been made.

"I don't think it is appropriate" to comment at this time, Sands said by telephone from his hotel room before leaving Beijing for Hong Kong.

The discussions are believed to have focused on US concerns that China has failed to live up to the terms of last year's 11th-hour agreement, whose signing prevented the implementation of threatened tit-for-tat trade sanctions. Washington, which recently revived the threat of sanctions worth some one billion dollars against Chinese imports, is demanding that Beijing make greater progress in curbing rampant piracy ahead of the hard-won deal's first anniversary.

Shen, at a regular news briefing, warned that the imposition of sanctions on China would be counter-productive.

"Should the US side go ahead with taking sanctions against China, US commercial interests would in the end be seriously harmed and that would amount to the US imposing counter-sanctions against itself," Shen said.

If the United States restricted certain exports to China, then its bilateral trade deficit — put by Washington at 35 billion dollars last year — would grow further, while, if it limited Chinese imports, US consumers would suffer, he said "So imposing sanctions is not a good solution, because there will be no winners," he added.

Shen was responding to a question on reported comments by Chinese Minister of Foreign Trade Wu Yi in

London that China would retaliate against any US sanctions.

US officials say that while China has clamped down on traders of pirated audio-video items, it has failed to tackle the root of the problem by closing down factories producing the goods.

The production situation has actually deteriorated since last year, with the number of counterfeiting compact disc (CD) plants rising from 29 to 34 and their shift to increasingly high-priced items pushing up the value of US firms' losses to piracy in 1995 above 1994's 866 million dollars, they say.

Beijing in recent days has adopted a tough public stance towards the US allegations. Ministry of Foreign Trade and Economic Cooperation official Zhang Yuejiao, who was China's chief negotiator in the talks, was quoted as saying the accusations were "groundless" while defending progress in implementing relevant laws. The Chinese authorities have withheld registration from three of the country's 34 CD plants for piracy and other shortcomings, Zhang said, adding that "investigations have found that no violations exist in local CD production lines today." Foreign Ministry spokesman Shen said the government's commitment to crack down on piracy to ensure healthy economic development was unshakeable, but added that "protection of IPR is a highly complex undertaking that cannot be completely resolved in a short time."

"We are willing to intensify our cooperation with foreign governments concerning this issue on the basis of equality," he said.

PRC: Spokesman Denies Nuclear Technology Transfers

*OW1502112496 Beijing XINHUA in English
1115 GMT 15 Feb 96*

[FBIS Transcribed Text] Beijing, February 15 (XINHUA) — A Chinese Foreign Ministry Spokesman said today that China, a responsible state, has never transferred equipment or technology for producing nuclear weapons to any other country.

Nor, as a responsible state, will China do so in the future, the official added.

Spokesman Shen Guofang made the remark in Beijing this afternoon at a press conference when asked to comment on a report that the CIA had obtained evidence that China sold Pakistan a ring magnet which can be used to produce nuclear weapons.

Shen was also asked to comment on reports that the US Government is considering imposing sanctions against China.

He said that China, as a signatory state of the NPT (nuclear Nonproliferation Treaty), has international legal obligations for nuclear non-proliferation, and it does not advocate, encourage, or engage in nuclear proliferation.

Shen noted that while China conducted some cooperation programs in the peaceful utilization of nuclear energy with other countries, it strictly observes the three principles guiding China's nuclear export and accepts the safeguard of the IAEA (International Atomic Energy Agency).

He pointed out that Sino-US relationship is showing a momentum of gradual improvement, which, in Shen's words, is not easy to come by, adding that a healthy, stable bilateral relationship serves the fundamental interests of the two countries.

He went on to say that if the US side imposes unjustifiable sanctions against China, that would lead to serious harm in Sino-US relationships. Shen added that he hopes the US side will not use rumors as the basis for making decisions.

PRC: Spokesman on Taiwan, Transfer of Nuclear Technology

*OW1502111396 Beijing XINHUA Domestic Service
in Chinese 0948 GMT 15 Feb 96*

[FBIS Translated Text] Beijing, 15 Feb (XINHUA) — At a news conference this afternoon, Foreign Ministry spokesman Shen Guofang answered reporters' questions on various issues, including Li Denghui's [Li Teng-hui] recent assertion that the only way out for Taiwan is to move toward the international community.

A reporter asked: Recently, Li Denghui again indicated that he will continue to expand Taiwan's international space and declared that moving toward the international community is the only way out for Taiwan. What is your comment on this?

The spokesman answered: Taiwan is an inalienable part of China, and this is a fact commonly recognized [gong ren 0361 6126] by the international community. The Taiwan authorities should attach importance to the righteous cause of the Chinese nation and abandon the creation of "two Chinas," "one China and one Taiwan," or "Taiwan independence." This is the only way out for the Taiwan authorities. If the Taiwan authorities continue to engage in activities to split the motherland, they must be held accountable for all the consequences arising thereof.

A reporter asked: It was reported that the CIA of the United States has obtained evidence that China has sold Pakistan ring magnets. The U.S. Government is considering sanctions against China on this ground. What is your comment on this?

Shen Guofang said: China is a responsible country. We have not transferred, nor will we transfer to any country, equipment or technologies used in manufacturing nuclear weapons. As a signatory to the nuclear weapons Nonproliferation Treaty, China scrupulously abides by the treaty concerning international legal obligations toward the prevention of nuclear weapons proliferation, and it does not advocate, encourage, or engage [bu zhu zhang, bu gu li, bu cong shi 0008 0031 1728 0008 7849 0536 0008 1783 0057] in nuclear proliferation. While engaging in cooperation with other countries for the peaceful use of nuclear energy, China strictly abides by China's three principles on nuclear export and accepts the safeguards and supervision of the International Atomic Energy Agency.

He pointed out: Sino-U.S. relations are gradually improving at the present time, and this trend has not come easily. A healthy, steady [jian kang, wen ding di 0256 1660 4489 4104] bilateral relationship conforms with the fundamental interests of China and the United States. If the United States imposes unjustifiable [wu li 2477 3810] sanctions against China, it will seriously harm relations between the two countries [jiang shi liang guo guan xi shou dao yan zhong sun hai 1412 0169 0357 0948 7070 4762 0649 0451 0917 6850 2275 1364]. It is hoped that the United States will not use hearsay as the basis for decisionmaking.

PRC: Spokesman Criticizes Li Teng-hui on Expansion Remarks

OW1502112096 Beijing XINHUA in English
1104 GMT 15 Feb 96

[FBIS Transcribed Text] Beijing, February 15 (XINHUA) — China's Foreign Ministry today criticized Li Teng-hui for his recent statement about Taiwan.

Li reiterated once again that Taiwan still intends to expand its international space for survival and the only way of Taiwan is to head towards the international community.

Foreign Ministry spokesman Shen Guofang made the criticism in Beijing this afternoon at a press conference when asked to comment on Li's statement.

Voicing that Taiwan is an inalienable part of China's territory, a fact recognized by the international community, Shen called on the Taiwan authorities to be conscious of the righteous cause of Chinese people. And he

urged Taiwan authorities to give up creating "two Chinas", "one China, one Taiwan" or pursuing "Taiwan's independence", which, in Shen's words, is 'the only way of Taiwan'.

He pointed out that if the Taiwan authorities continue with activities that try to split the motherland, they must take all the consequences that arise as a result.

PRC: Spokesman Reiterates Diaoyutai Islands Belong to China

OW1502113696 Tokyo KYODO in English
1110 GMT 15 Feb 96

[FBIS Transcribed Text] Beijing, Feb. 15 KYODO — The Foreign Ministry reiterated its claim to a disputed group of islands in the East China Sea on Thursday [15 February] and acknowledged that Chinese marine vessels recently carried out explorations in waters claimed by Japan.

"I wish to reiterate the Diaoyu Islands belong to China, this is an historical fact. The Chinese vessel was engaged in exploratory activities within Chinese territorial waters, this is indisputable," ministry spokesman Shen Guofang said.

The uninhabited islands, called the Diaoyu Islands in Chinese and Senkaku Islands in Japan, are located about 150 km northeast of Taiwan and are claimed by China, Japan and Taiwan.

The issue of the Chinese oil-drilling vessel Kantan No. 3 anchored in Japanese waters was earlier raised in talks between former Japanese Foreign Minister Yohei Kono and Chinese Foreign Minister Qian Qichen in Beijing last December, while huge flames seen Feb. 4-5 seem to indicate the ship carried out trial drills for oil, Japanese Government officials said.

Shen, who said the vessel has since departed the area, added that China hopes "to seek to resolve the dispute with the Japanese Government through friendly consultations."

The International Convention on the Law of the Sea, which Japan plans to ratify during the current Diet session, obliges all signatory nations to respect an exclusive 200-mile economic zone off a nation's coast.

In connection with the ratification, Japan's renewal of its territorial claims to another group of islets, known in Japan as Takeshima, has already soured relations with South Korea, the other claimant.

PRC: Spokesman: Vessel Leaves Disputed Area Near Diaoyutai Islands*OW1502094996 Hong Kong AFP in English
0937 GMT 15 Feb 96*

[FBIS Transcribed Text] Beijing, Feb 15 (AFP) — A Chinese vessel reportedly exploring for oil off islands claimed by China and Japan has left the disputed area, Foreign Ministry spokesman Shen Guofang said Thursday [15 February].

"That vessel has already ended its operations there and is now on its way back," Shen said.

At the same time, he stressed that the Diaoyutai islands in the East China Sea were "indisputably" Chinese.

"This is an historical fact and therefore the Chinese vessel was operating within Chinese territorial waters," Shen said.

Beijing has so far refused to confirm Japanese press reports that the ship was exploring for oil or natural gas around 320 kilometers (200 miles) northeast of the islands on the Japanese side of the line that theoretically marks the maritime frontier between the two countries.

China, Japan and Taiwan all claim sovereignty over the eight tiny, uninhabited but possibly oil-rich islands, which are located between Okinawa and Taiwan.

Shen said Beijing would seek to resolve its territorial disputes with the Japanese Government "through friendly consultation."

United States & Canada**PRC: 'No Details' of IPR Talks With U.S. Released***OW1502044496 Hong Kong AFP in English
0419 GMT 15 Feb 96*

[FBIS Transcribed Text] Beijing, Feb 15 (AFP) — China and the United States ended Thursday [15 February] crucial talks aimed at heading off a new showdown on copyright piracy, but a senior US official gave no details of the outcome.

The negotiations here came ahead of the first anniversary of deal to protect intellectual property rights [IPR].

Assistant US Trade Representative Lee Sands, who headed the US team during three-and-a-half days of talks with Chinese officials, declined to give any details of whether progress had been made.

Speaking by telephone from his hotel room, Sands said simply that the talks were completed and that he was leaving China. "I don't think it is appropriate" to make further comment at this time, he said.

The discussions are believed to have focused on US concerns that China has failed to live up to the terms of an 11th-hour Sino-US agreement on protecting intellectual property rights, signed on February 26, 1995.

The signing prevented the implementation of threatened tit-for-tat trade sanctions. Washington, which recently revived the threat of sanctions worth some one billion dollars against Chinese imports, is demanding that Beijing make greater progress in curbing rampant piracy ahead of the hard-won deal's first anniversary. US officials say that while China has clamped down on traders of pirated audio-video items, it has failed to tackle the root of the problem by closing down factories producing the goods.

The production situation has actually deteriorated since last year, with the number of counterfeiting plants rising from 29 to 34 and their shift to increasingly high-priced items pushing up the value of US firms' losses to piracy in China in 1995 above 1994's 866 million dollars, they say. Beijing in recent days has publicly adopted a tough stance towards the US allegations.

Ministry of Foreign Trade and Economic Cooperation official Zhang Yuejiao, who headed the Chinese team in the talks, was quoted as saying they were "groundless" while defending progress in implementing relevant laws.

PRC: Envoy Urges U.S. To Consider Nuclear Treaty Proposal*OW1402143196 Beijing ZHONGGUO XINWEN SHE
in English 1331 GMT 14 Feb 96*

[FBIS Transcribed Text] Washington, February 13 (CNS) — "China is willing to cooperate with other countries to create a new peaceful world free from the threat of nuclear weapons," said Wang Xuexian, China's deputy permanent representative at the United Nations, at a nuclear non-proliferation seminar held here.

"China greatly hopes that the Comprehensive Nuclear Test Ban Treaty will be concluded as early as possible within the year. To this end, China has prepared a dozen of working documents with recommendations which will be highly helpful to the negotiations."

"Like other countries," he continued, "China feels the pressing need for such treaty but we must not rush without thoughts to arrive at an ill-prepared treaty nor should we strictly follow the time-table of other countries marred by their domestic politics."

Wang added that the USA's proposal "comes further close to China's but not as precise and clear-cut." He further made a pledge to the USA to seriously consider China's proposal.

"To ensure the validity of the treaty, a stringent, fair and effective monitoring system shall be set up accordingly. Countries, regardless of their financial and technological power, shall have equal rights to probe into investigations and alleged abuses."

"In addition, investigative actions, which shall only be carried out in line with international practice, shall not be calculated to pose any bias on the country under investigation. Still, for the sake of safety of the signatory countries, signatories shall undertake not to be the first one to utilise the nuclear weapons or threaten to use them against other signatory countries."

He went on that: "Nuclear explosions may be used in a peaceful manner for the benefit of all mankind but of course they must come under stringent control and it is no point banning them totally nor shall they be utilised to threaten world peace. Still, all provisions under the treaty shall be fully complied by the signatories without any exemption. Nuclear non-proliferation is just one of steps in a long-way final goal of total nuclear ban."

Central Eurasia

PRC: Russia Increases Arms Supplies to Beijing

OW1502045596 Hong Kong AFP in English
0422 GMT 15 Feb 96

[By Gilles Campion]

[FBIS Transcribed Text] Beijing, Feb 15 (AFP) — A deal to produce Sukhoi-27 fighter jets under licence is the latest in a series that points to growing Chinese dependence on Russia for arms supplies, reminiscent of the Cold War era, diplomats here say.

An agreement signed in December in Moscow provides for the supply of 24 Su-27s to the Chinese armed forces this year, adding to the 26 transferred in 1992 and based at Wuhu, in the Nanjing military region in southeastern China, facing Taiwan.

Most experts in Beijing discount U.S. press reports which said 72 Su-27s were to be supplied now. However, they say Moscow has at last agreed to sell the license to produce the planes, a deal China had sought for several years.

Foreign observers say the sale of 24 fighters and the license deal will fetch Russia two billion dollars in hard currency, unlike the 1992 contract which was financed by barter deals for up to two-thirds of the value.

Russian sources in Beijing say the license deal was held up by "minor technical problems" but that it would go through by the time President Boris Yeltsin visits China in late April. He was to have been in Beijing in November but the trip was postponed for health reasons.

"The technology transfer will come as a draught of oxygen for the almost crippled aeronautical industry in China's northeast," a diplomat said.

"But the deal would at the same time render the Chinese completely dependent on the Russians, because initially, Russian engineers and workers will be engaged in turning out the aircraft, using Russian spare parts," the diplomat added.

The number of planes to be made under license has not been revealed, while it remains unclear whether the deal provides for transfer of avionics and engine technology.

During the 1950s, the Soviet Union had built 256 arms factories in China and either supplied most of the military equipment or allowed the Chinese to produce carbon copies of its hardware.

The Chinese People's Liberation Army (PLA), the world's largest at three-million strong, produces only J6s — poor copies of MiG-19 — and J7s and J8s, modelled after MiG-21.

It has for several years sought to acquire MiG-31 long-range bombers.

While the Sukhoi deal is crucial for China's Air Force, it would not upset the military balance in the region, especially vis-a-vis Taiwan, experts say.

"In theory, China, with 26 Su-27s is stronger than Taiwan, but Chinese pilots, who have been training for three years, haven't mastered the aircraft," one expert said.

"Taiwan is now at the lowest ebb with aging F-5s and F-104s, which cannot be refueled in mid-air. But this year it will get the first of the 150 American F-16s and French Mirage 2000-5s ordered in 1992," the expert added.

China, which lays claim to large areas in the South China Sea that lie far from its shores, has great need of modern air force and navy if it has to face conflicts.

"The Chinese armed forces have not yet mastered mid-air refueling and, in the absence of aircraft-carriers, they have to depend above all on the Navy in order to intervene in the Spratley Islands," a diplomat said.

Last year China ordered four Kilo-class diesel-powered Russian submarines and two have already been delivered. The attack submarines are to replace the obsolete Ming and Romeo class subs. The PLA has also begun building a new Luhu-class destroyer.

"The Navy has been quicker off the mark compared to the Air Force because China had developed a functioning civilian naval industry," the diplomat added.

China's military budget was officially put at 7.5 billion dollars last year, with a 12-percent increase over 1994.

But according to the International Institute of Strategic Studies, in 1994, real spending was four times higher.

Political & Social

PRC: Jiang Revives Mao on Working Class as 'Leading Force'

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[By China editor Cary Huang]

[PTS Transcribed Text for FBIS] Chinese President Jiang Zemin has revived a Maoist doctrine that says the working class is superior to intellectuals in a heightening ideological campaign to boost his stake in the power succession.

The restoration of the working class as the "leading force" is part of a propaganda offensive launched to boost Mr Jiang's status amid the imminent exit of patriarch Deng Xiaoping, according to China-watchers.

In a recent speech Mr Jiang, who is also chief of the ruling Communist Party and a three million-strong army, said intellectuals should learn from the working class—a famous dictum of the late chairman Mao Zedong.

During his rule the "Great Helmsman" launched campaigns to denounce intellectuals and sent them to factories and farms to be reeducated by workers and peasants.

Mr Jiang revived the Maoist doctrine last month in a speech made while inspecting a workshop in Lanzhou, the capital city of northwestern Gansu province.

The speech was reprinted and issued to trade union officials across the nation, according to Chinese sources.

In a speech to a national trade conference held in Beijing this month, Zhang Dinghua, the first secretary of the All-China Trade Unions secretariat, called Mr Jiang's remark the latest authoritative interpretation on workers' status in the new period, a reference to Mr Deng's capitalistic market reforms since late 1970s.

Mr Zhang, who accompanied Mr Jiang on his trip to Gansu, quoted Mr Jiang as asking the trade union leader to pass the message on to unionists.

Mr Jiang assured Mr Zhang and other leading unionists that the working class status, as masters of a socialist nation and their role as principle forces in socialist revolution as Mao said, remained unchanged.

The role of the working class—as a leading force in a socialist nation—is embodied in the Chinese constitution.

Mr Jiang's remarks were apparently aimed at placating resentment among workers in state-run enterprises, many of whom were left out in the cold under Mr Deng's drastic market-oriented reforms.

He also aimed to please conservative party elders who waive [as published] considerable influence in the post-Deng era and try and take the thunder from leftist critics who may be poised to make a political comeback when the patriarch exits.

Many workers in state-run firms risk being laid off under a drastic program to restructure the chronic state sector, of which about half is seriously in debt.

Mr Jiang said it has been the party's policy to rely on the working class and bring the role of party cells and trade unions into full play.

"Even in joint ventures our policy has not changed," Mr Jiang said.

The party boss said China's socialist nature had not been changed after 17 years of capitalistic reforms. The last major communist nation's political system is a people's democratic dictatorship led by the working class and based on the alliance of workers and peasants, he added.

Some Chinese officials were shocked by Mr Jiang's leftist remarks and his bid to revive Maoism.

They said Mr Deng launched his reforms to, in part, rehabilitate millions of China's intellectuals and downplay the workers' role.

They added Mr Jiang's remarks also indicated that the party chief was under heavy pressure from the ruling party's left wing.

PRC: Jiang Zemin, Others Attend Art Performance 14 Feb

OW1402162396 Beijing XINHUA in English
1606 GMT 14 Feb 96

[FBIS Transcribed Text] Beijing, February 14 (XINHUA) — Chinese President Jiang Zemin and other government and Communist Party leaders attended an art performance this evening sponsored by Chinese ministries and the People's Liberation Army (PLA).

Attending the party with Jiang, who is also general secretary of the Chinese Communist Party (CPC) Central Committee and chairman of the Central Military Commission, were Li Ruihuan, chairman of the Chinese People's Political Consultative Conference National Committee, Vice-Premier Zhu Rongji, Liu Huaqing, vice-chairman of the Central Military Commission, Hu Jintao, member of the Standing Committee of the Political Bureau of the CPC Central Committee, and other officials.

The evening party was called "Forever Spring for the Motherland", and was sponsored by the Ministry

of Civil Affairs, the Ministry of Radio, Film and Television, and the PLA General Political Department.

The artistic performances portrayed the long and close friendship between the PLA and the people and the building up of the PLA.

PRC: Li Peng Addresses State Council on Fighting Corruption

OW1402131096 Beijing XINHUA Domestic Service in Chinese 1129 GMT 6 Feb 96

[By Central People's Broadcasting Station reporter Liu Lei (0491 4320) and XINHUA reporter Zhu Youdi (2612 1635 2769)]

[FBIS Translated Text] Beijing, 6 Feb (XINHUA) — The State Council convened the fourth work conference on fighting corruption today. Premier Li Peng made an important speech. He said: Fighting corruption is a basic task for building up state power. We must consolidate achievements, focus on key areas, and effectively carry out the anticorruption drive.

Leading comrades Zou Jiahua, Qian Qichen, Li Lanqing, Wu Bangguo, Jiang Chunyun, Wei Jianxing, Chi Haotian, Song Jian, Chen Junsheng, Peng Peiyun, and Luo Gan attended the conference.

State Councillor Li Guixian chaired the conference. The purpose of the conference was to review work over the past year, to study new situations and problems, and to set the tasks and requirements for fighting corruption this year.

Li Peng said: Fighting corruption and keeping the government clean and honest is an important matter in the success or failure of China's modernization drive; it is also a basic task for building up state power. We should summarize experiences, enhance awareness, and ensure the success of the anticorruption drive. In the course of fighting corruption, we have accumulated some experiences: understanding the importance of the anticorruption drive in light of the survival of the party and the country; proceeding from the overall situation of reform, development, and stability in fighting corruption and combining the anticorruption drive with major policy decisions on reform and development; drawing up an overall strategic plan as well as special measures for tackling outstanding problems in stages; setting a three-point basic demand on leading cadres to be honest and self-disciplined, to take charge of the investigation of major and serious cases, and to correct unhealthy practices; consciously guarding against and wiping out corruption by adopting both long-term and stopgap measures, by perfecting the system and laws, and by stepping up education in the outlook on life and the

world; and mapping out unified arrangements with senior officials taking charge of and various departments coordinating with each other in the anticorruption drive. These experiences are conducive to our continued fight against corruption. Meanwhile, we should constantly seek innovation, improvement, and development in the course of practice so as to gradually form a complete set of systems and measures for intensifying the building of state power and for guarding against and punishing corruption under the conditions of a socialist market economic structure.

He said: We must realize that fighting corruption is a long-term, arduous task. Some deep-rooted contradictions in fighting corruption have not yet been fundamentally solved; and corrupting behavior is still spreading and is rather serious in some fields. Leaders at various levels should be aware of the grave and complex nature of fighting corruption. They should attach great importance to the anticorruption drive and should never be slack in their work.

He said: This year is the first year of the Ninth Five-Year Plan [FYP]. The coming 15 years, including the Ninth FYP period, will be a crucial period for carrying forward our cause of reform, opening up and modernization and for forging ahead into the future; and we will continue to focus on developing the national economy. To adapt to the situation of reform and development, efforts must be stepped up to promote clean government and to fight corruption so as to bring about a fundamental change for the better in the general conduct of society. Recently, Comrade Jiang Zemin has time and again demanded that leading cadres, first and foremost senior leading cadres, must pay close attention to politics and be good at viewing problems from the political angle. Fundamentally speaking, politics is mainly an issue dealing with attitudes toward the masses and relations with the masses. Whether the anticorruption drive is carried out extensively and in depth and whether it can really produce marked results has a direct bearing on whether we can win popular support for the survival of state power, on whether political and social stability can be maintained, and on whether the party's line, principles, and policies can be implemented. This is also an essential condition for advancing reform and opening up, promoting economic development, and maintaining social stability; as well as an important guarantee for the smooth realization of the Ninth FYP and the long-term target for the year 2010. To carry out the anticorruption drive in a thoroughgoing, sustained way, it is crucial to view problems from the political angle and to understand the importance and urgency of fighting corruption in the light of reform, development, stability, and the entire modernization drive. We must

obtain profound political insight and imbue ourselves with the dauntless spirit of communists in order to ensure the success of the anticorruption drive.

Li Peng emphasized: Leading cadres, senior leading cadres in particular, should set good examples in self-discipline and honesty; and should concentrate on investigating major and serious cases and help handle corruption cases. This is the objective demand for fighting corruption, as well as a major indicator of results of the anticorruption drive. Last year, notable results were achieved in fighting corruption. The publication of results of a number of major and serious cases exerted certain effects on deterring corrupt elements. A problem of rather serious nature deserves our attention — that is, of the corruption cases already brought to light, many were committed in the past one or two years during the ongoing anticorruption drive. Therefore, efforts should be stepped up to investigate cases of corruption and to crack outstanding major and serious cases. Corrupt elements who abuse power, bend the law for the benefit of relatives or friends, accept or offer bribes, or commit serious dereliction of duty should never be connived with and should be brought to justice regardless of their position. Investigation results of major and serious cases should be published in a planned and systematic way, so as to deter corrupt elements and to educate cadres and the masses. Continued efforts should be made to tackle evil practices that the masses strongly resent. Collection of random fees is the problem complained about most by the masses. Random fees collected by unauthorized highway checkpoints and by middle and primary schools and arbitrary service charges imposed on farmers and enterprises have aroused strong resentment among the masses. To solve this problem fundamentally, it is necessary to begin by standardizing government and department operations. Before a fee or service charge is collected, it is necessary to investigate which government, department, or leader has authorized the collection and for what purpose the fee is to be used. As power is bestowed by the people, it can only serve the people and can never be used for selfish gain. In correcting unhealthy tendencies this year, a new area should be added; that is, relentless efforts should be made to check evil practices in management and use of extrabudgetary funds. Supervision of law enforcement should be stepped up, to ensure the smooth implementation of government orders. At present, in conjunction with the implementation of major policy decisions of the party Central Committee and the State Council, particular attention must be paid to supervising law enforcement and punishing corrupt officials who violate laws and discipline in the banking sector and finance departments, so as to ensure implementation of various tasks set by the central authorities.

Li Peng said: We should effectively strengthen leadership, perfect the system and laws, and build up the mechanism of restraint by supervision. We should proceed from the demand of fighting corruption in perfecting the legal system, focusing on improving the supervision system to prevent leading cadres from power abuse; on standardizing and popularizing the system of periodic exchange of cadres; on establishing a sound internal management system; and on reinforcing management and supervision. In major industries and posts where problems of corruption are prone to occur, special preventive, control, and monitoring measures will be taken so that problems can be discovered in good time and solved at an early stage and corruption checked.

In conclusion, Li Peng emphasized: In line with the tasks and requirements set by the party Central Committee and the State Council, governments and departments should unify thinking and work with one heart and one mind in fighting corruption this year, thereby keeping the anticorruption drive abreast with reform and construction with fresh results achieved every year and living up to the earnest expectations that the masses have placed upon our governments at all levels.

Cao Qingze, minister of supervision; Liu Zhongli, minister of finance; Tao Siju, minister of public security; and Zhu Kaixuan, minister in charge of the State Education Commission, delivered special reports respectively on deepening the anticorruption drive, screening the "small exchequer" and strengthening the management of extrabudgetary funds, controlling the "three irregularities" [irregularities in collecting fees, imposing fines, and pooling funds] on highways, and controlling collection of random fees at middle and primary schools.

The conference was attended by more than 150 senior officials from the CPC Central Committee General Office, the Central Discipline Inspection Commission, the CPC Central Committee Propaganda and United Front Work Departments, the National People's Congress Standing Committee General Office, the Chinese People's Political Consultative Conference National Committee Office, the Central Military Commission General Office, the Supreme People's Court, the Supreme People's Procuratorate, the All-China Federation of Trade Unions, the All-China Women's Federation, the Communist Youth League Central Committee, the Central Committees of all democratic parties, and the All-China Federation of Industry and Commerce; as well as persons without party affiliation.

PRC: 35th Meeting of CPPCC Leaders Held 14 Feb
OW1402144296 Beijing XINHUA in English
1404 GMT 14 Feb 96

[FBIS Transcribed Text] Beijing, February 14 (XINHUA) — The 35th meeting of chairman and vice-chairmen of the Chinese People's Political Consultative Conference was held here today.

CPPCC General Secretary Zhu Xun delivered a report on preparatory work of the forth session of the CPPCC Eighth National Committee.

Details were also given on a number of draft proposals, including preparatory work on celebrating the 130th anniversary of Dr. Sun Yat-sen, who led the Chinese democratic revolution, or the Revolution of 1911.

The meeting was presided over by CPPCC Chairman Li Ruihuan, and a decision was made to submit draft proposals to the 15th session of the Standing Committee of the CPPCC Eighth National Committee, scheduled to be held from February 27 to March 1.

PRC: Circular Provides Guidelines for Users of Internet

OW1402153396 Beijing XINHUA in English
1504 GMT 14 Feb 96

[FBIS Transcribed Text] Beijing, February 14 (XINHUA) — A circular issued recently by the Ministry of Public Security urged computer users who plug into international computer networks to register within 30 days after they are connected.

According to the circular, the user should go through registration procedures at public security departments at the county and prefecture level within 30 days after they are hooked up to international networks.

Users who change their hook-up or disconnect should notify the public security departments within 30 days.

The circular warns that those who fail to comply with this will be dealt with in accordance with the country's Regulations on Protection of Computer Information System Security.

About 40,000 computer users had hooked up to international networks by last July.

The networks can be used for international information sharing and scientific and technological cooperation. The circular said that a lack of security management has produced some negative effects.

Yang Zhihui, deputy director of the ministry's Computer Management and Monitoring Department, said in an interview with XINHUA that the latest move is expected

to promote the healthy development of the country's information industry.

PRC: Overseas Access Internet Users To Register With Police

OW1402145096 Beijing ZHONGGUO XINWEN SHE in English 1258 GMT 14 Feb 96

[FBIS Transcribed Text] Beijing, February 14 (CNS) — China's Public Security Ministry today issued a warning to all domestic Internet users with overseas (including Taiwan, Hong Kong and Macao) access to register with the police within 30 days after receiving the Public Security Bureau's notices. The Ministry also asked these users to report to local public security organs within 30 days after they change their ways to Internet access or terminate the access. Otherwise they will face stiff punishment.

The Internet which is an electronic means of communications without frontiers has been very popular with PC users on the mainland. Over the past two years the number of subscribers has surged to 40,000. However, due to a lack of effective control in the past, the Public Security Ministry is now attempting to introduce more stringent supervision of the Internet and its users.

A public security official said "this is the first step that China is taking to bring the Internet under proper control. It will be followed by a number of more comprehensive regulations to curb the exchange of crime and pornographic information."

PRC: Spring Campaign To Target Highway Robbery, Car Thieves

OW1402145196 Beijing ZHONGGUO XINWEN SHE in English 1139 GMT 14 Feb 96

[FBIS Transcribed Text] Nanning, Guangxi, February 14 (CNS) — Around the Lunar New Year, Guangxi police will step up operations to combat crime particularly those involving highwaymen and car thieves to provide the local people with a happy and peaceful Spring Festival.

Since last September, highway robbery and car theft have been rampant along the Nanning-Wuzhou and Nanning-Behai routes where road users, and more alarmingly police, were killed and had their vehicles and property robbed. In Nanning alone, 38 cars were stolen while 20 more were robbed within the three-week period between last Christmas and 15th January of this year.

By mobilising 1,450 police officers, police raids have succeeded in cracking down 40 criminal offences involving 60 suspects along the Nanning-Behai route

since 22nd January. Some 44 road blocks manned by 1,300 police officers have also been set up between Nanjing and Wuzhou.

A police official said he hoped the Operation Spring Festival, which will last until March, will curb the rise in highway crime and strengthen the level of security in certain districts renowned for their lawlessness.

PRC: New Office To Monitor Fees in Market Transactions

OW1402150396 Beijing ZHONGGUO XINWEN SHE
in English 1209 GMT 14 Feb 96

[FBIS Transcribed Text] Beijing, February 14 (CNS) — The State Planning Commission has set up a new department to monitor unauthorised fees.

It is believed that the "Charge Supervision Department" under the Commission will be responsible for scrutinising and approving all fees and charges in market transactions and tackling breaches of relevant regulations.

An official from the department said that, at present, they were concentrating on cases of unreasonable fees imposed on car buyers.

Recently, these buyers not only had to pay value-added and consumption taxes to the State but, also, were liable to fees imposed by local governments as well as local transport, public security and finance departments as well as, surprisingly, insurance companies.

Additionally, car buyers in some regions had to pay a so-called "extra charge" ranging from RMB [renminbi] 10,000 to 100,000 (HK\$ 9,290 to 92,900).

The official said that the auto industry was a "pillar" industry for development during the current Ninth Five Year Plan (1996-2000) and unauthorised charges undermined its healthy development.

According to other sources, the Ministry of Machine-Building Industry had urgently appealed to the State Council (the Chinese Cabinet) to take action against these impositions.

***PRC: Correlation Among Reform, Development, Stability**

96CM0061A Beijing ZHONGGUO QINGNIAN BAO
in Chinese 24 Oct 95 p 7

[Article by Li Zhengwen (2698 2973 2429): "Necessary for the Common Good and the Crux of the Situation — - Correct Handling of the Correlation Among Reform, Development, and Stability"]

[FBIS Translated Text] The country's economy grew at an average annual 11.7 percent during the first

four years of the Eighth Five-year Plan (1991-1994), nearly four percentage points faster than during the Seventh Five-year Plan. One might say that it leaped to new heights. The role of reform and opening to the outside world in this leap should not be underestimated. While continuing the achievements of the previous period, economic growth has moved ahead on all fronts during the past five years to set new records and score ever more spectacular achievements. As to the way growth was sustained, foreign commentary shows greater attention to and praise for "the gradual nature of China's reform." This so-called gradual reform amounts to the correct handling of the correlation among reform, development, and stability.

I. Orientation Toward Realization That the Times Match National Circumstances

Following establishment of the nucleus of new China's second generation of leaders, one of the most historically significant decisions made was to reassess the international situation, which led to realization that peace and development are the main streams, clear understanding of the challenges and opportunities that China faces in the trend of world development, and using these understandings to propose a policy of "wholehearted construction," to set the strategic goal of intensifying socialist modernization, and to open the country to the outside world. Second was the correct appraisal of the successes and failures, and the gains and losses during the first thirty years of new China's existence, and "re-examination of the meaning of socialism, and how to build socialism." Using summarization of experiences as a basis, the major policy of "economic reform accompanied by reforms in the social and other domains" was proposed.

The superiority of socialism must be demonstrated in order for people to adhere to the socialist path; only through the development of productivity can the people prosper; and reform and opening to the outside world is needed to put an end to autarky and restraints. This is an extremely easy to understand truth today, but it was not reached easily. It has produced an earth-shattering effect sufficient to show the pervasiveness of the "leftist" infection of past years. Even less has the process of putting it into practice been smooth sailing. First of all, to a considerable extent, reform and opening to the outside world was forced by circumstances abroad and at home. After a decade of the "Cultural Revolution," there was much catching up to be done. Countless neglected tasks awaited. The fine opportunity that rapid world economic development offered had been missed. Given this late start, the need for growth and reform were extremely urgent. They had to be undertaken at

the same time. They were both mutually advancing and mutually limiting. Second, since there were no successful precedents or ready made models for reform, it was necessary to grope along. This made it difficult to avoid mistakes and detours. The emancipation of productivity through system reform brought in its wake large numbers of new problems, and solving these problems required attention to short-term effectiveness, and even more concern for long-term effects. Finally, during this period of social transition, political and social factors for instability increased. Many complex and unforeseeable forces such as changes in benefits and the recipients of benefits, and changes in the international political situation played a role. During the course of more than a decade of reform, several fairly large fluctuations in the economy appeared, and political disturbances also occurred. With practice and better understanding, changes were made constantly. The third generation of party and government leaders proceeded collectively on the basis of the fundamental interests of the people to set forth the basic policy for work throughout the party and the country of "seize opportunities, intensify reform, expand the opening to the outside world, promote development, and maintain stability. The correlation among reform, development, and stability implies the following: Development is of overriding importance. It also creates a climate conducive to reform, and provides a solid foundation for stability. Reform gives powerful impetus to development, so it also promotes long-term social stability. Social and political stability are prerequisites for reform. Correct handling of the correlation among these three has also become a consensus among the masses. A March 1994 newspaper survey showed that 76 percent of the people expressed optimism about the speed of the country's development, and 61.6 percent felt that the speed should be maintained at a certain rate, thereby showing that the public values balance and sustained growth. Also, 79 percent felt that reform would improve their own standard of living, and 83 percent were concerned about current year reforms. About 55 percent felt that successful reform required a stable political situation, and 34 percent felt that successful reform required strengthening the legal system. These two views were very similar. Clearly, in the eyes of the public, reform, development, and stability are not abstract terms but important matters of concern to all.

II. The Key to Solving Major Problems Affecting the Common Good

During the Ninth Five-year Plan and for the next 15 years, China will have to make a change from the traditional system to a socialist market economy system, and it will have to change from an extensive form of economic growth [expansion of facilities] to

an intensive form of economic growth [making the most of existing facilities]. Actually, this has also been the orientation of past reform and development. During this important transitional period, the focus will have to be on solving major problems affecting the common good. Some of them are historical burdens and the limitations of the country's circumstances; some are pervasive obstacles inherent in the old system; and some are difficulties that have just occurred or accumulated during the past several years. Numerous matters require attention; priorities must be set for doing them; and initiatives must be taken. The main principle here is handling well the correlation among reform, development, and stability.

First, an entry point must be found for development. For example, the extensive form of economic growth is a basic characteristic of the traditional plan system. Skewed government functions, and the separation of rights and responsibilities leads to concern only for speed of growth to the neglect of the structure and returns. This increases inflationary pressures, pressures on resources, and environmental pressures in turn. The cause and effect relationship in these series of major problems is apparent. Transformation of government functions, and separation of government administration and enterprise management is an urgent step in reform. If this step is carried out well, it is bound to stimulate the national economy's rapid entry into a benign cycle.

Second, emphasis must be given to the establishment of new economic growth points in the course of reform. Take the optimization of the industrial structure, for example, including the readjustment of increases and readjustment of existing industry. If reform of existing industry is intensified, real advances can be made in system reform, and good returns made through market allocation of resources from assets that have heretofore produced low returns or have lain idle. Relatively low cost inputs can accelerate economic growth.

Third, the problems that occur in the course of development and reform must be solved through development and reform. The shortage of government financial resources, the weakening of macroeconomic regulation and control capabilities, and the predicament of state-owned enterprises have become worse in recent years, but we cannot retreat because of this. Passively delaying action will not work either. The only way out is further reform and speedier development. For example, the widening of differences between one region and another cannot be allowed to get worse, nor can the speed of growth of coastal areas be restrained. The advisable thing to do is eliminate regional autarky, readjust and broaden policies, and encourage the flow inland of ele-

ments of production from coastal areas. This is also to move ahead with development and reform in tandem.

Fourth, solution to historical difficulties requires both treating symptoms and curing root causes, setting the stage through reform and development. Problems such as population increase and the city and countryside earnings gap, for example, are now exerting real pressures on stability. Measures for treating the symptoms, such as allowing rural manpower to flow into cities, cannot be ignored. In development terms, this reduces hidden unemployment in agriculture, and it is also a result of reform. But if the flow is too great, that will be extremely detrimental to the normal operation of cities; thus, it must be limited. Over the long run, halting the flow is not the answer. Ways must be found to solve both the rural villages' and the cities' problems, and this is the development of new cities as a means of getting out of both the city's and the countryside's dilemma.

Fifth is to look at development in a new light, using a positive attitude in seeking stability. Growth of the economy does not equate to social development. Economic construction must be coordinated with resources and the environment. The building of material civilization must proceed in tandem with the building of spiritual civilization, all-around social progress promoting stability to obtain high quality social stability.

We are in a period of system changeover in which we face new conflicts and new problems. We must understand objective laws from many angles; we must be extremely attentive to the correlation among reform, stability, and development, and we must not limit ourselves to this.

III. Essential for Expanding Horizons To Enrich Thinking

Comrade Jiang Zemin said that reform, development, and stability are three crucial parts of our overall pattern of modernization. They form an organic whole.

Premier Li Peng said that past experience shows, and the present situation and future tasks suggest, that good handling of reform, development, and stability are extremely important.

It seems extremely important for a young person to cultivate a sense of mission and conscious awareness about rendering service to the motherland in his or her studies and work, to take part in the process of reform and opening to the outside world, and to improve ability to understand the greater good of the country.

Reform, development, and stability must be coordinated because they are all part of China's modernization. One might liken them to interconnected links in a chain. "A

chain is only as strong as its weakest link." If that link is ignored or weakened, the strength of the entire chain will be less. Much less can the links be cut or concern shown for only one link.

Reform, development, and stability can be coordinated because their objective coherence can be understood and validated through practice, and their dialectical unity can be willingly protected under guidance of the new understanding.

The way in which reform, development, and stability are coordinated reflects direct understanding of the common good, or may also become concrete action at another level. It may, for example, be expressed as a way of thinking about an observed problem, working for the sake of the common good, considering the different roles of various phenomena on reform, development, and stability, and dealing with advantages and disadvantages by weighing all the pros and cons. The correlation among reform, development, and stability is also not a static and mechanical structure, but is always a dynamic process. Therefore, when applied to specific issues, the emphasis must usually be adjusted.

The documents of the Fifth Plenary Session of the Fourteenth Party Congress contain detailed and brilliant expositions of the correlation among reform, development and stability. We must study them diligently and understand their spirit.

PRC: Census Indicates Population Growth Slowing
OW1402121696 Beijing XINHUA in English
1143 GMT 14 Feb 96

[FBIS Transcribed Text] Beijing, February 14 (XINHUA) — China's population growth has slowed down to an annual rate of 1.21 percent during the past five years, 0.34 percentage points less than in the previous five years, according to a report made public today by the State Statistical Bureau.

The bureau conducted a census on one percent of the national population on October 1 last year. Based on the results from this sample survey, the bureau estimates that China had 1.20778 billion people then, a rise of 6.54 percent over the 1.13368 billion people calculated by the fourth national census conducted on July 1, 1990.

In 1995, China's population saw a net increase of 12.71 million people over 1994, or a yearly increase of 1.055 percent over 1994, according to estimates.

Last year China's population growth saw a decrease of 550,000 people from 1994.

The census found that China's households have been becoming smaller over the past few years.

On October 1 last year, China had 322.11 million households, which comprised 1.19181 billion people, and the average household had 3.7 people.

On July 1, 1990, however, the average household had four people.

China's male population has outstripped the female population. On October 1, 1995, China had 616.29 million men, accounting for 51.03 percent of the total population, and 591.49 million women, accounting for 48.97 percent of the total population.

The ratio of men to women was 104.19 to 100, said the report.

The census found that the population of minority nationalities grew quicker than that of the Han, the majority Chinese people, over the past five years.

The total population of the 55 minority nationalities was 108.46 million on October 1 last year, with its ratio in the national population rising from 8.04 percent in 1990 to 8.98 percent.

A total of 347.52 million people now live in towns and cities. The urban population ratio of the total rose 2.62 percentage points from July 1, 1990 to October 1 last year.

The census found that more people have received normal school education and that the rate of illiteracy and semi-illiteracy has dropped from 15.88 percent of the total national population to 12.01 percent in the past five years. Some 145.05 million people aged 15 or above are illiterate.

***PRC: Shanxi Survey Shows One Child Policy Not Working**

96CM0099B Beijing RENKOU YANJIU
[POPULATION RESEARCH] in Chinese 29 Sep 95
No 95, pp 72-73

[Article by Xie Kang (6200 1660), Population and Employment Statistics Office, State Statistics Bureau, and Zhang Hongchang (1728 1347 2490), Population Institute, China People's University: "One Child Policy Not Working in Two Villages"]

[FBIS Translated Excerpt] A survey was conducted in February 1995 on the reproductive profile of women between the ages of 20 and 40 in Xiejiaying village in Jinjing Township in the Yuncheng area of Shanxi Province. Located in the Pingchuan area, the village ranks average or above average in the province economically, socially, and culturally. We can see from the data in the table that one child mothers account for 27.7 percent of all women in the childbearing age, of whom 70 percent gave birth when they were 25 or younger and 95.6 percent gave

birth when they were 28 or younger. Of the 83 women in the 20-40 age bracket, only 23 are one-child mothers. Of these 23 women, 16, or 70 percent, are 25 or younger, six are in the 26-28 age group, three are 26 years of age, one is 27, and two are 28. Only one woman is older than 30 and she is an adoptive mother. Apart from one 20-year-old and one 21-year-old who have two children each, most women who have two children each gave birth a second time when they were between 26 and 29 years of age. In fact, an overwhelming majority of women in this age group have two children each. If this is anything to go by, the 16 one-child mothers under the age of 25 are highly likely to join the ranks of their two-child sisters as they get older.

In this village, 72.3 percent of all women in the childbearing age have two children or more each. Specifically, 16.7 percent have three children each and 1.6 percent have four. There are mothers of two of all ages, from 26 through 39. Moreover, such mothers account for the bulk of women of their own age. Apart from one woman who has adopted a child, there is not a single one child mother among those 29 years of age and older. [passage omitted]

Also located in Pingchuan is Nanyangyao Village, which forms part of the Wangjian Township in Linyi County in the Yuncheng area of Shanxi Province. Socially, economically, and culturally it is above average in the province. Although 10 percent or so of the women in the village are mothers of one, these are young women who have not yet reached the age of having a second child. They will give birth a second time in due course. About 80 percent of the women in the village have given birth to two children each and 10 percent or so have more than two children. Most people want to have two kids, whatever the penalties. Those who have two daughters and no boys would go to great lengths to have another child. They want a boy, come what may. In addition, many young men and women get hold of a marriage certificate through illegal channels even before they turn 20. This is the root cause of early marriage and early parenthood.

Xiejiaying and Nanyangyao villages began implementing on 1 January 1990 the "Shanxi Province Family Planning Regulations" adopted at the 12th meeting of the standing committee of the 7th Shanxi People's Congress on 22 September 1989. If a woman belongs to a peasant household and has only one daughter, she may apply for permission to have a second child after she turns 30. This rule notwithstanding, there are households in both Xiejiaying and Nanyangyao villages which have had a second child in violation of the plan in recent years even though they already have a son. Why did they do that? There are three main reasons, accord-

ing to what we heard at a seminar attended by women who gave birth to a second child in violation of the plan even though they already have a son. First, there is the desire to have a daughter as well as a son. It is believed that daughters would remain close to their parents and are better care givers. One feels more at ease knowing that one has a daughter to care for oneself in old age. Second, the women want two children whether the first-born is male or female. Having a second male child is akin to buying additional insurance. If something happens to one's only child and if the woman by then has passed her childbearing years, she would have nobody to take care of her when she gets old. For this reason, people always feel insecure when they have only one kid. Two is perfect, regardless of the sex of the first-born. Furthermore, when the children grow up, they can keep each other company. Third, there are those people who see others having two children and figure that they should do the same. These people had always wanted two children to begin with but were prevented from doing that by policy pressure. Now that they see other people having another child, they feel free to follow suit. Actually this third reason is related to the first two.

We can see from the preceding paragraphs that at the root of the desire to have two children in violation of the plan is a social psychology shaped by social and economic conditions as well as conventions and habits. This social psychology is what drives people to desire two children. As for the fact that "having one pair of hands is not enough," the result of the terms of production in the countryside, that is only a minor factor. The economic standard of two-child households bears testimony to that.

Turning to the living standards of two-child households, there are almost the same number of households in each of these groups: above average, average, and below average. It is difficult to establish any link between the desire to have two children in violation of the plan and one's standard of living. In other words, there is no direct relationship between the two. People with a below average living standard are as likely to have two children as those with an above average living standard. This shows that a particular social psychology, not economics, drives the decision to have a second child in violation of the plan.

People in the survey decided to have a second child for a variety of reasons. How did they feel after they gave birth? According to the survey, these people did not regret their decision but do feel they are being economically penalized unfairly. They say, "Under the present production conditions, if one works a little harder, one makes a little more money, so it is not too hard to feed one more mouth. Moreover, since we

take care of our own, we are not putting any additional burden on the government." They look at the issue from the perspective of micro-interests and fail to see how their reproductive behavior would hurt the country. Nor do they feel they are putting an extra burden on the government. On the contrary, they think they are being unfairly penalized economically. [passage omitted]

(Responsible editor: Qiao Xiaochun [0829 2556 2504]. Manuscript received: May 1995)

***PRC: Declining Role of Village Committee in Population Work**

96CM0099A Beijing RENKOU YU JINGJI
[POPULATION AND ECONOMICS] in Chinese
No. 92, 25 Sep 95 pp 33-35

[Article by Bian Qingguo (6708 3237 0948), Hangzhou City Family Planning Commission, Zhejiang Province: "Declining Role of Village Committees in Population Control Work"]

[FBIS Translated Excerpt] [passage omitted]

I. Rural Population Control Work Reveals Problems in Village Committee Construction

The management model for population control in rural China essentially evolved over the years based on the economy of collective production and distribution of the 1970's. As rural economic reform deepens steadily, rural population control work has undergone many changes and improvements. Overall, however, the basic model has remained largely unchanged. After the market economy took shape, rural production too has been incorporated into the realm of the commodity economy. With the corresponding weakening of government regulation and control in the rural economy, village committee construction in the new era has run into many difficulties that are beyond its control. The limitations of the original rural population control model have become clearer by the day and some practices have totally lost their relevance. At present the most pressing problems are:

1) Village committee construction is not accorded sufficient attention or guidance. It has been almost 10 years since village committees were set up extensively across the nation. Nevertheless, their construction has not been taken really seriously by some local party or government leading organs. For one thing, the wages of village cadres have failed to keep pace and the issue of subsidies has not been satisfactorily resolved in many places. This is especially true in the case of village cadres in economically impoverished areas who have engaged in "first front" work in a spirit of sacrifice for years and years. Their enthusiasm for work has

suffered. For another, in some localities village cadres usually come from powerful clans with many sons while people from less powerful families typically dare not become cadres. Even if they do, they are not in a position to act boldly. Third, the grass-roots government in many a locality exercises guidance over the village committee only half-heartedly. Its work methods are crude and unsophisticated, emphasizing the formulation of the population control policy while neglecting its implementation. In monitoring family planning work, it limits itself to hearing reports, pays scant attention to studies and research, and treats the masses' opinions lightly. As a result, village cadres take a perfunctory attitude toward their superiors and don't bother to improve their style of operations.

2) The administrative management function of village committees has shrunk. As rural economic reform deepens steadily, management from above has ceased to be a binding force and a source of initiative. It is true that the contract responsibility system has inspired the peasants' enthusiasm for production and powerfully promoted rural economic development. As the rural collective economy disintegrated, however, the administrative function of village-level cadres has been reduced drastically. The old family planning methods—"deducting work points," "withholding grain rations," "stopping the issue of cloth coupons," and "refusing residence registration"—no longer work. Family planning rewards and punishments have also become much less effective. Peasants who have become rich don't mind paying a fine for having more children than allowed. As for poor peasants, they cannot afford to pay any fine. In some villages there are constantly women who go elsewhere to have children and village committees are powerless to control this band of "child-bearing guerrillas." As a result of assorted chain reactions, village committees have run into mounting difficulties in family planning management.

3) There are organizational and institutional problems with the village committee system. The economic base, production, way of life, and thinking of vast numbers of peasants have been changing on a daily basis in recent years. The new order is one where the peasant household is the leading player in agricultural production. Unlike bona fide government workers, rural cadres do not have fixed wages or a permanent status. In a commodity economy where money is the yardstick of social value, most able and well educated rural cadres prefer to leave behind their several mu of land, which used to be their means of livelihood, in search of other opportunities. Hence the rapid turnover in such positions as village chief, party branch secretary, and women's director and the instability in village level organizations. Meanwhile,

the village committees are not working as well as they should and their work is not institutionalized. In certain backward areas, in particular, village cadres often "do not go to the team and village committees do not hold meetings." Consequently, many policies are not put into effect at the individual level. The village chief and party branch secretary usually are in charge of family planning work nominally. In fact, however, these people wear many hats and have no time for family planning work. Moreover, nobody takes care of family planning work on a full-time basis in some villages. In those places the network of rural population control work at the grass roots level has been torn asunder and the effects on family planning are most serious.

4) Village cadres are of an inferior cultural quality. Most village cadres in many places have a low cultural standard and are poorly educated. This is a major issue in the push for village committee development today that cannot be ignored. Some village cadres have trouble explaining the problems encountered in family planning work and are hard-pressed to convince the peasants. Wary of offending people and losing votes, some hesitate to tackle a problem or exert control. Others still carry the old ideological baggage. Susceptible to pressure from friends, relatives, neighbors, and other clan members, they fail to operate in accordance with the policy, even siding with and shielding the people mentioned above. Yet others have too rigid a style of operations; their high-handed methods often encourage resistance among the masses. Yet others rarely think in legal terms and do not have a sufficient understanding of the law. When the masses retaliate against them because of the latter's work, beating them up or destroying their crops, these cadres often blame their own bad luck and dare not report the case to the police. They don't know how to use the legal weapon to protect their own rights.

II. Role of Village Committees in Rural Population Control

The village committee is a rural grass-roots self-government organization of a mass nature under the constitution and the "Village Committee Organic Law." It relies on the rank-and-file peasants to organize themselves and set their own rules and draw up their own articles of association through democratic methods. They are expected to practice self-education, self-management, self-construction, and self-service regarding the common affairs in their locality, thus creating a stable order where people can live and engage in production properly in accordance with the wishes of the majority. The starting point of family planning in China, for instance, is the long-term fundamental interests of the masses. The role of the

village committee in rural population control mainly takes the following forms:

1) Changing the masses' perception of reproduction through day-to-day publicity and education. Although the village committee does not participate directly in government administration, it is free to guide and educate the villagers in a variety of ways to comply with the party's family planning policy and related laws and regulations on their own initiative. Family planning legislation is backed up by coercive force. Within this coercive framework, noncoercive methods such as publicity and education emanating from the village committee are relied upon to reinforce the masses' population awareness, their per capita consciousness, and their self-discipline in marriage and reproduction. Such publicity and education acts as double insurance for the implementation of the family planning policy and legislation and helps improve cadre-mass relations.

2) By encouraging self-education among the masses, the village committee guides the public to look at the national picture instead of just one's family or village and consider everybody instead of just oneself and fosters a climate where people practice family planning on their own initiative. It can do so, first of all, by launching bottom-line comparison activities vigorously. Fully utilize statistics on tangible things that have to do with people's vital interests such as the birth rate, the amount of land available per capita, per capita income, national consumption, and the number of dependents per family to enhance the masses' sense of urgency and sense of responsibility about limiting population growth. Second, the village committee should organize competitive activities including the "three-good couple in their child-bearing age," "five-good family," and "law-abiding household" competitions to develop among members of the public a set of moral values that would encourage them to subordinate the individual to the whole and to society. The goal is to have the masses educate themselves.

3) Rely on social opinion, mobilize mass supervision, and develop self-management and self-service in family planning. The village committee is a self-organization per se. Accordingly, it is uniquely placed to carry out its special functions. Village cadres live among the masses and have the best knowledge of what is happening among the people, good and bad, major and minor. For instance, village committee members know whose daughter is getting married and which woman is pregnant like the palms of their hands. They have timely and full access to all sorts of accurate information. For this reason, the village committee is in a position to take the pulse on events at all times and uncover problems and respond promptly. By establishing such

organizations as family planning associations and family planning central households, it can network with the vast number of women in the child-bearing age and turn self-management and self-service into reality.

4) It can guide and regulate the public's marriage and reproductive behavior by formulating and implementing "village rules and public contracts." In family planning work, self-education and self-management by the masses to a large extent is effected through the enforcement of "village rules and public contracts." As behavior standards that every member in the village must live up to, "village rules and public contracts" inevitably involve the marriage, reproductive, and contraceptive behavior of all villagers by laying down guiding and binding rules and stipulating rewards and punishments. The "village rules" are drawn up based on the family planning policy and legislation. Those who violate them will be punished and those who observe them properly will be commended and rewarded. The village committee helps the masses develop the notion of complying with family planning as a matter of law and ensures that their behavior does not depart from the norm. In so doing, it ensures the implementation of the family planning policy and hence the achievement of the goal of population control. [passage omitted]

PRC: Former Editor Hu Jiwei To Regain CPC Membership

HK1502025696 Hong Kong SOUTH CHINA
MORNING POST in English 16 Feb 96 p 1

[By China Editor Willy Wo-Lap Lam]

[PTS Transcribed Text for FBIS] Beijing is poised to restore the Chinese Communist Party membership of a noted liberal intellectual, former People's Daily chief editor Hu Jiwei.

A political source in Beijing said Mr Hu was told last week the newspaper's party cell would be allowed to reinstate his membership after the Lunar New Year.

His membership was suspended in 1990 after accusations he had supported the 1989 pro-democracy movement which ended in the bloody June 4 Tiananmen Square crackdown.

The reformist intellectual, a protege of the late party chief Hu Yaobang, was also relieved of his membership in the National People's Congress soon after the crackdown.

He was heavily criticised in the official media after the 1989 incident.

The source said the favour being given to Hu Jiwei, who advocated radical reforms for the media in the

late 1980s, could be a sign that the administration of President Jiang Zemin was trying to reconcile with the country's liberal intelligentsia.

He said the party's General Secretary was eager to build bridges with cadres and intellectuals once associated with Hu Yaobang.

"Many reformist cadres and intellectuals in Beijing have been frustrated by signs of the resurgence of leftists, or remnant Maoists," the source said.

"Jiang Zemin needs the backing of Hu Yaobang's large circle of associates and supporters to stay in power after the death of Deng Xiaoping."

Observers in Beijing's intellectual circles said despite the apparent generosity shown to Mr Hu Jiwei, the ideological and propaganda establishment was still largely dominated by conservatives.

In recent months, the former editor has continued to be attacked by leftist ideologues for his failure to toe the Marxist line.

An article on American life he published last year after a visit to the United States was decried as a sign of bourgeois liberalisation.

Meanwhile, a reformist vice-chief editor of the People's Daily, Zhou Ruijin, is due to be transferred to Shanghai.

Mr Zhou will take charge of the paper's Shanghai-based East China edition.

A former editor at Shanghai's Liberation Daily, Mr Zhou was behind a series of commentaries in 1991 that reflected patriarch Mr Deng's reform ideas.

For a time in late 1991, the liberal editor was subjected to bitter attacks by conservative elements in Beijing for masterminding the "unauthorised" articles.

Mr Zhou's position as vice-chief editor in charge of ideology has been taken by Xie Hong, a hardliner who is close to the former Maoist head of the Propaganda Department, Deng Liqun.

"Zhou has not been able to do much in the way of reform since coming to the People's Daily in 1993," said a newspaper source.

"Given the Propaganda Department's redoubled control over the paper, Zhou has indicated his willingness to seek another position."

Deng Liqun, a vocal conservative, has been active in recent months warning cadres over the spread of bourgeois liberalisation or Western capitalist ideas in China.

PRC: XINHUA Hosts Party for Foreign News Agencies Reporters

OW1402133696 Beijing XINHUA in English
1306 GMT 14 Feb 96

[FBIS Transcribed Text] Beijing, February 14 (XINHUA) — Guo Chaoren, president of XINHUA NEWS AGENCY, today invited representatives of foreign news agencies in Beijing to a party to celebrate the Chinese new year.

Gao Qiufu, vice president of XINHUA, made a speech on Guo's behalf, extending a warm welcome to the foreign correspondents and wishing them a happy new year.

Gao said that China is enjoying economic prosperity, political stability, solidarity among ethnic groups, and social progress, and the country is full of vitality.

"XINHUA has covered all these stories truthfully, and we are pleased that some of you have used XINHUA reports as your sources, and others have reported on China using their own observations," Gao said.

"This is helpful for the promotion of understanding and friendship between the Chinese people and people in the rest of the world," he noted.

Gao also briefed the correspondents on XINHUA's attempts to build itself into a modern, socialist world-class news agency with Chinese characteristics.

"In the future, we are willing to further strengthen cooperation with our counterparts in the rest of the world so that all of us can do a better job," he emphasized.

The reception at the XINHUA building was attended by correspondents from more than 20 foreign news agencies.

Science & Technology

PRC: Rocket Carrying Intelsat Satellite Explodes After Lift-Off

OW1502031596 Hong Kong AFP in English
0240 GMT 15 Feb 96

[FBIS Transcribed Text] Beijing, Feb 15 (AFP) — China's new-model Long March 3B rocket, carrying an Intelsat telecommunications satellite into orbit, exploded seconds after lift-off from its launch-pad early Thursday [15 February], a China Aerospace Corp. (CAC) spokesman confirmed.

The rocket's failure at 3:01 am (1901 GMT) was the second set-back for China's fledgling aerospace

industry in less than 13 months, following an accident in January 26, 1995 that left six dead and 23 injured.

CAC officials were unable to say whether the latest accident resulted in casualties, maintaining that communications with the launch site at Xichang in the southwestern province of Sichuan had been cut.

XINHUA reported that the Long March 3B rocket, of which this was the first-ever launch, had "failed to lift" the Intelsat 708 satellite into orbit, while Chinese television footage showed it exploding into flames just after lift-off and falling back to earth.

The live coverage was cut immediately after the disaster.

The CAC spokesman said an investigation had been launched into the cause of the explosion, while Intelsat announced in Washington that it would take part in the inquiry.

Intelsat owns and operates the world's most extensive global communications satellite system, with 1995 estimated revenues of over 800 million dollars. Thursday's explosion of the 708 satellite represents its first total launch failure in 10 years.

Intelsat Director General and Chief Executive Officer Irving Goldstein said, "while disappointed in this launch failure, we want to reassure our customers that there will be minimal disruption in service." "We have contingency plans in place to ensure we can continue to meet our customers' needs," he added. The satellite, which weighed three tonnes, was built by Space Systems/Loral (SSL) of the United States. The Long March 3B is designed to carry a payload of up to five tonnes.

China's last failure in January 1995 involved a Long March 2E rocket transporting a Apstar 2 satellite.

A subsequent inquiry concluded that the most likely cause of the disaster was high-altitude wind shear.

PRC: Institute Develops VXI Automatic Missile Testing System

*HK1502085496 Beijing JIEFANGJUN BAO
in Chinese 10 Feb 96 p 1*

[Report by Huang Zhifan (7806 1807 0416), and reporter Zhou Zongkui (0719 1350 1145): "China Has Developed VXI Automatic Missile Testing System"]

[PTS Translated Text for FBIS] Beijing, 8 Feb (JIEFANGJUN BAO)—A research institute under the Second Artillery Corps and the Harbin Polytechnic University have jointly developed the first VXI automatic missile testing system which has passed today's technical evaluation. Experts believe: The system applies the world's most advanced VXI bus technology

(zong xian ji shu 4920 4848 2111 2611) to automatic missile testing, the first of its kind in China. This invention has raised China's automatic missile testing technology to the world's most advanced level in the 1990s.

PRC: Plan To Invest 10 Billion Yuan in Key Science Projects

*OW1402090196 Beijing XINHUA in English
0751 GMT 14 Feb 96*

[FBIS Transcribed Text] Beijing, February 14 (XINHUA) — China will invest ten billion yuan in the coming five years to support 15 key science projects which will have important bearings on national economic and social development.

Deng Nan, vice-minister of the State Science and Technology Commission, disclosed the plan here today. The projects will cover techniques for increasing agricultural crop yields, research into expanding the production scale of animal husbandry, and the development and utilization of hi-technology to renovate traditional industries.

According to Deng, the 15 projects were selected from the Ninth Five-year Plan (1996-2000) and Long-Term Goals to the Year 2010 for the National Science and Technology Development, which were jointly worked out by the State Science and Technology Commission and the State Planning Commission.

She said that the ambitious plan is aimed at solving difficult problems facing China now, including ones in agriculture, the technical renovation of major state-run enterprises and finance.

Top priority will be given to agriculture, with five projects covering the spread of technology to increase grain output, quality seed selection, and research into new pesticides and fertilizers.

Also included in the plan are applied research into remote sensing, a geographical information system, global positioning system, short-term weather forecasting system, computer-aided design (CAD) and computer integrated manufacturing systems (CIMS) and high-performance digital program-controlled exchange system.

Of the total investment, one billion yuan will come from the State Science and Technology Commission, four billion yuan from the central and local governments, and the rest from bank loans.

Military & Public Security

PRC: Zhejiang Secretary Urges Political Firmness in Military

OW1502114996 Hangzhou ZHEJIANG RIBAO
in Chinese 27 Jan 96 p 1

[By correspondents Jiang Zhenzhou (3068 7201 3166), Liang Hailun (2733 3189 0243), and He Xiaosheng (0149 2699 3932): "Li Zemin Notes at Enlarged Session of the Provincial Military District Party Committee That Ideological and Political Construction Should Be Intensified To Ensure Political Sobriety and Firmness"]

[FBIS Translated Text] Hangzhou, 26 Jan — The 14th Plenary (Enlarged) Session of the Eighth Zhejiang Provincial Military District Party Committee closed in Hangzhou this afternoon. Li Zemin, secretary of the provincial party committee and first secretary of the provincial military district party committee, attended and addressed the session.

The session's main agenda was to set forth this year's assignments as well as to sum up and analyze the provincial military district's 1995 situation in building party committees and units under the guidance of the Deng Xiaoping theory of building socialism with Chinese characteristics and the guidelines for military construction during the new period.

During the session, He Jiabi, secretary of the provincial military district party committee and political commissar of the military district, delivered the work report of the provincial military district party committee standing committee; and Yuan Xinghua, deputy secretary of the provincial military district party committee and commander of the military district, set forth specific requirements for accomplishing this year's assignments.

Li Zemin fully endorsed the successes the military district's party committees achieved during the past several years in building themselves up, especially in heightening their ideological and political awareness and in improving the army's and the militia's reserve forces in light of the needs of the new situation. Speaking on behalf of the provincial party committee, the provincial government, and the provincial military district, Li Zemin thanked the vast number of officers and men of the military district and military units stationed in Zhejiang for their support for Zhejiang's economic construction and efforts to fight natural disasters, provide relief services, and safeguard social stability. He said: During this new year, the provincial military district and reserve forces have many assignments to accomplish in building themselves up. Whether or not these assignments from party committees at higher levels can be accomplished rests essentially with well-built party

committees and more proficient leading cadres who are able to control the situation and accomplish all assignments.

Li Zemin said: To have stronger party committees, the most essential requirement is that leading cadres must pay attention to political work. Comrade Jiang Zemin has repeatedly stated recently that leading cadres must pay attention to politics. This poignant observation has great guiding significance. It has underscored the need to heighten leading cadres' ideological and political awareness. Li Zemin noted: Emphasizing the need that leading cadres must pay attention to politics is an objective requirement the current situation has set for leading cadres. Only when leading cadres pay attention to politics can they maintain a high degree of political alertness and awareness of safeguarding national security and stability under the current complex and volatile situation; can they follow the political direction set in basic theories, basic lines, and basic policies and act consciously in implementing the party's basic lines and ensuring the nation's long-term stability; can leading cadres at all levels maintain a high degree of ideological, political, and organizational unity with the party Central Committee and the Central Military Commission with Comrade Jiang Zemin as the core and make sure that all political and military orders are heeded; can party member-leading cadres meet the challenges of being members of the ruling party while embarking on reforms, opening up to the outside world, and developing the socialist market economy; and can they firmly uphold the party's ideals, conviction, and the objective of serving the people wholeheartedly, and maintain the party's progressiveness and purity.

Li Zemin said: Our strength lies in our attention to politics. Requiring party committees to pay attention to politics under the new situation means that leading cadres at all levels must be good at understanding, observing, and handling issues through a political perspective and always maintain their political sobriety and firmness. He said: To build stronger party committees and improve their quality, the most essential requirement for leading cadres is that they must intensify their efforts to study and master Marxist theories, especially Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics. Only when we are theoretically firm can we maintain our political sobriety and firmness. Leading cadres at all levels must study Comrade Deng Xiaoping's important theories thoroughly over and over again until they have fully and accurately mastered their scientific system and spiritual essence.

Li Zemin said: Requiring leading cadres to pay attention to politics means they should intensify their efforts in remolding their world outlook; take care of the

problems regarding their political stand, viewpoints, and methods; firmly establish their correct outlook for life and values through tempering their party spirit, leading a disciplined party life, and making efforts to improve themselves; and act firmly to achieve the goal of serving the people wholeheartedly.

Li Zemin stressed: The need to pay attention to politics should be reflected in our work. Leading cadres at all levels must display a stronger sense of responsibility and work even more earnestly in building up the military district and its reserve forces. They must correctly understand and handle the relationship between overall and partial interests and between collective and personal interests, and take the lead in being subordinate to economic construction and serving it. We must have a strong political sense and sense of overall interests, and we must be ready to work hard to meet challenges. We must do our utmost in our posts and work earnestly in building up the military district and its reserve forces.

Present at the meeting were Zhang Tianfu, Li Jinguo, Wang Changgui, Chen Lijiu, Yang Xuemin, and Zhang Fangpan, members of the provincial military district party committee standing committee; and members of the provincial military district party committee.

PRC: Fujian-Based Troops Allegedly on 'Full Alert'
*HK1502055896 Hong Kong SING TAO JIH PAO
in Chinese 15 Feb 96 p A4*

[By special correspondent Hsiao Peng (5618 7720):
"Fujian-Based Troops Put on Full Alert, Some Parts of
Coastal Areas Are Off-Limits"]

[PTS Translated Text for FBIS] To counter enhanced readiness and off-shore islands troop reinforcement on the part of Taiwan troops, the Fujian-based troops have recently been put on full alert. The Guangzhou Military Region and the Jinan Military Region have ordered all troops under their command to cancel leave and be in a state of readiness-state 2 [jin ru er ji jie bei 6651 0354 0059 4787 2054 0271]. The People's Liberation Army [PLA] along the Taiwan Strait has been in combat-ready condition and the coast along the strait has been designated as a military restricted zone. The ports along the Fujian coast have been sealed off and Taiwan fishing boats are forbidden entry to the ports to ensure that the military exercises can be held smoothly. A number of reporters from over the border have been detained in Fujian by the military for attempting to cover the military exercises and escorted across the border.

It is learned that, because Taiwan has recently reinforced its troops defending the offshore islands, deployed land-based missiles, increased its naval vessels, and heightened the condition of readiness, the PLA stationed

in Fujian have all been put in immediate operational readiness condition [jin ru yi ji zhan bei zhuang tai 6651 0354 0001 4787 2069 0271 3692 1966], and the naval, ground, and air units as well as missile units stationed in the coastal areas have even been on combat-ready alert [geng jin ru lin zhan jie bei 2577 6651 0354 5259 2069 2054 0271]. Some parts of the Fujian coastal areas have been designated as military restricted zones, where those not concerned are forbidden access. Pingtan, Sansha, and other sea ports have also been sealed off and Taiwan fishing boats are strictly forbidden to approach them. Some air space has been blockaded and some international flights have been canceled to prevent foreign airlines from entering the maneuver areas and ensure the smooth progress of the military exercises.

According to a source, Hong Kong media reports on mainland military exercises have aroused the concern of the mainland military. In recent days, a number of Hong Kong reporters and overseas media reporters have been detained by the military's security department for attempting to cover the military exercises and immediately escorted over the border after being given a warning.

It is learned that since last week Taiwan fishing boats have not been allowed to enter or leave Pingtan, Nanzhong, and Dongao fishing ports, which lie nearest to Taiwan's Hsinchu port. Since the beginning of this week, Taiwan and foreign ships also have not been allowed to enter or leave Sansha, Mawei, Songxia, and other ports lying to the north. In the past, when the mainland conducted military exercises, the operations of fishing boats were not affected for a long time. In the present large-scale military exercises, however, it is necessary to seal off the fishing ports for a long period—something which has never happened since the ban was lifted between the two sides of the strait.

In another development, according to a CNA report, the Taiwan Navy has put all personnel on standby in order to raise mobile readiness [ji dong zhan bei 2623 0520 2069 0271] and has stepped up operational training [zuo zhan yan xun 0155 2069 3348 6064]. It has also dispatched warships to patrol the sea area concerned to deal with an emergency at any time. As a naval officer put it, during the Spring Festival the naval fleet will pursue an operational principle of providing "effective deterrent [xia zu 0687 7091] and rapid reaction."

PRC: Mainland Said 'Blockading' Fujian Ports for War Games*HK1502074496 Hong Kong MING PAO in Chinese
15 Feb 96 p C1*

["Special dispatch" by Taiwan-based staff reporter Lai Hsiu-ju (6351 4423 1172): "Fujian Coastal 'Ports Blockaded,' People's Liberation Army War Games To Start Soon"]

[PTS Translated Text for FBIS] A well-informed person in the Taiwan military has disclosed that since 2200 yesterday [14 February], mainland China authorities have taken the action of "blockading" major ports along the coast of Fujian, which will last for a whole month, and are ready for month-long war games. Starting from today, Taiwan has also begun its war games code-named "Harmony" on its outer islands, with the time for their conclusion not set. According to the source, since Tang Fei [0781 7378], Taiwan's deputy chief of General Staff and concurrently executive commander [zhi xing guan 1013 5887 1351], returned to Taiwan from the United States on 5 February, Taiwan's Ministry of National Defense and the U.S. Defense Department have set up a "military and information crisis-handling center" to exchange information on the mainland's military arrangements and deployment until Taiwan's ninth president takes office.

The United States and Taiwan Frequently Exchange Information

General Tang Fei went to the United States to exchange updated information on mutual military conditions between Taiwan and the mainland with U.S. Department of Defense officials, and reached several agreements. It was disclosed that these agreements have already been submitted to President Clinton for his reference. The U.S. side asked Taiwan to send high-ranking officers to the United States to conduct Taiwan-U.S. military meetings on a regular basis up to the coming May.

In late December last year, before Tang Fei's trip to the United States, both Lieutenant General Huang Jung-te [7806 2837 1795], Taiwan Ministry of National Defense assistant to the chief of General Staff in charge of intelligence [qing bao can mou ci zhang 1906 1032 0639 6180 2945 7022], and Lieutenant General Hsui Hua-min [1596 0553 3046], executive assistant to the operational commander [zuo zhan ci zhang zhi xing guan 0155 2069 2945 7022 1013 5887 1351], made a trip to the United States to exchange information on the cross-strait situation with relevant figures of the U.S. Department of Defense and military intelligence.

In addition, in the coming April and May intelligence people, including from the U.S. Central Intelligence

Agency and the Department of Defense Intelligence Agency, will make a trip to Taiwan, in accordance with past usual practice, to inform Taiwan authorities of updated information on the transfer and deployment of military strength of the armed forces of mainland China. These intelligence people will hold in-depth talks with Taiwan's premier of the Executive Yuan, director of the National Security Bureau, chief of General Staff, and minister of defense as usual.

Taiwan Has Entered a State of War-Preparedness

However, both Taiwan and mainland China are obviously at a high level of war-preparedness. A high-level military ad hoc group, comprising deputy commanders of various services and service arms and the director of the military intelligence bureau, with Tang Fei as convener, are to hold weekly meetings on a regular basis to analyze U.S. information and deliver a comprehensive analytical report to biweekly high-level talks. But the updated daily report on the military situation jointly submitted to President Li Teng-hui by Chief of General Staff Lo Ben-li [5012 2609 4539] and National Security Bureau Director Yin Zong-wen [3009 1350 2429] is for the authorities' reference in making decisions.

Take the "port-blockading" action that began at 2200 yesterday for instance. The mainland side stated that it is required for a month of military exercises. Major Fujian coastal ports, including Sansha, Pingtan, Nanzhong, and Xiaoshandong, the four fishing harbors at which Taiwan fishermen frequently make purchases, must vacate their berths to make way for vessels participating in the exercises. Such being the case, major military, commercial, and fishing ports will have to be blockaded.

The Taiwan military has indicated that mainland China is likely to recruit civil aircraft, merchant ships, and freighters in the military exercises against Taiwan to conduct combined exercises of the three services along Fujian's coastal areas, but the focus is on airborne and landing operations.

Airborne Units Are Awaiting Orders in Pingtan

According to the analysis of the well-informed source, the exercises of the airborne units of the 1st and 2d Regiments under the 45th Division of the 15th Army of mainland China and the landing force of the 162d Division undergoing training on Pingtan Island pose a very great threat to Taiwan. It is estimated that the number of men participating in the entire exercises will not exceed 30,000, but their political significance is great.

When Chiang Ching-kuo took office as president in 1978, mainland China also conducted exercises code-

named "East China Sea No. 1" in Pingtan, which was most provocative. This time, a landing exercise is to be held on Pingtan again, at a time when the presidential election in Taiwan is to take place. The Taiwan military is paying close attention to see whether or not mainland China will present any new-type weapons to test its military strength.

Because Pingtan Island is located between the sea off Taiwan's Hsinchu and the offshore island of Machu, and boasts the military significance of containing both Taiwan and Machu, the "Harmony" exercises unfolding on various outer islands of Taiwan have aroused special attention.

PRC: 'Model Regiment Commander' Deeds Extolled

OW1502033696 Nanjing XINHUA RIBAO in Chinese
3 Feb 96 p 1

[By reporters Cheng Guansheng (4453 7070 3932) and Zhang Chenglin (1728 2052 2651): "Meeting To Report Li Guoan's Progressive Deeds Takes Place Ceremoniously in Nanjing; Nanjing Military Region Commander Chen Bingde, Political Commissar Lan Baojing, Provincial Party Committee Deputy Secretary Gu Hao Attend; Li Guoan Gives Report; Provincial Party Committee Secretary Chen Huanyou and Nanjing Military Region Political Commissar Fang Zuqi Speak"]

[FBIS Translated Excerpt] A meeting to hear a report about "Model Regiment Commander" Li Guoan's progressive deeds took place ceremoniously at the Nanjing Great Hall of the People at 1430 on 2 February. Nearly 3,000 servicemen and people in Nanjing heard the heart-touching deeds of Li Guoan (a military engineer who has dedicated himself to finding water for arid areas in the PRC).

When members of the report group — formed by the CPC Central Committee Propaganda Department, the Ministry of Water Resources, and the People's Liberation Army General Political Department — entered the hall in the company of leading comrades of the Nanjing Military Region and Jiangsu, they were given a warm applause.

Leading members of the Nanjing Military Region who attended the meeting were Lieutenant General Chen Bingde [7115 3521 1795], commander of the Nanjing Military Region; Lieutenant General Fang Zuqi, political commander of the region; and Lieutenant General Lan Baoqing, deputy political commissar of the region.

Leaders of Jiangsu who attended the meeting were Chen Houyou, secretary of the provincial party committee; Gu Hao, deputy secretary of the provincial party committee;

Wang Xialin, member of the provincial party committee standing committee and head of the provincial party committee propaganda department; Gao Dezheng, vice chairman of the provincial people's congress standing committee; Zhang Lienzhen, vice governor of Jiangsu; Duan Xushen, vice chairman of the provincial committee of the Chinese People's Political Consultative Conference; Wang Zhongqi, deputy secretary of the provincial party committee discipline inspection commission, and others. [passage omitted on Li Guoan's advanced deeds filed previously]

Prior to the meeting, leading comrades of Jiangsu and the Nanjing Military Region had a cordial meeting with the report group's members and posed for a group picture with them.

Lan Baoqing chaired the meeting, which was cosponsored by Jiangsu and the Nanjing Military Region.

PRC: Public Security Minister Announces Goals for 9th Plan

OW1502011296 Beijing XINHUA Domestic Service
in Chinese 1100 GMT 6 Feb 96

[By RENMIN RIBAO reporter Mao Lei (3029 4320) and XINHUA reporter Liu Siyang (0491 1835 2254)]

[FBIS Translated Text] Beijing, 6 Feb (XINHUA) — Public Security Minister Tao Siju today put forward the general goals of public security work during the Ninth Five-Year Plan. They are: safeguarding general economic and political stability, maintaining a stable situation in public security and order, reducing the rate of growth of major criminal cases, further enhancing the masses' sense of security, and creating a more stable social environment for the country to successfully achieve the national economic and social development goal specified in the Ninth Five-Year Plan and for the people to live and work in peace and contentment.

Speaking at the 19th national public security conference here, Tao Siju also put forward demands on public security departments in building themselves during the Ninth Five-Year Plan. He called for establishing a preliminary operating mechanism for conducting public security work that is basically compatible with the socialist market economic structure; a preliminary set of rules and regulations for managing public security ranks that supplement people's police laws and vice versa; and a preliminary mechanism for providing police logistics that is compatible with the national economic and social development and conducive to bringing into play the functions and role of public security organs. He called on public security organs to safeguard social and political stability, notably improve their ability to

maintain public security, and creating a new image of the public security ranks and a new pattern of relations between the police and the people.

Tao Siju said: Public security organs did a tremendous amount of fruitful work and enriched and gained valuable experience during the Eighth Five-Year Plan. However, the situation on the public security front will remain severe for some time to come. The total number of criminal cases is still on an upward trend. Public order issues remain serious in a number of areas. Crimes spanning several regions, organized crimes, and crimes using computers or other technology are expected to increase further. Extremely violent crimes, major economic crimes, property infringement crimes, and drug-related crimes, as well as prostitution, pornography, and other social evils will pose greater harm to social and economic order.

To accomplish the goals for the next five years, Tao Siju asked public security organs throughout the country to meet the demands earnestly and to crack down sternly, as well as to manage, prevent, and control crimes; step up reform on the public security front; enhance their sense of the law and awareness of the goals; work hard to raise law-enforcement and service standards; enforce strict discipline in the police ranks; and to improve vigorously their overall combat effectiveness. He asked public security organs to make vigorous efforts to ensure that their ideology, viewpoints, and police work methods, as well as their efforts in building their own ranks can better meet the requirements of developing a socialist market economy.

PRC: CMC's Yu Yongbo Emphasizes PLA Family Planning Work

*HK1502032596 Beijing JIEFANGJUN BAO
in Chinese 18 Jan 96 p 1*

[Report by Shan Honghai (0830 4767 3189) and Yan Jinjiu (7051 6855 0036): "Yu Yongbo Stresses Need To Grasp Army's Family Planning Work From High Plane of Strategic National Development"]

[PTS Translated Text for FBIS] Beijing, 18 January—Yu Yongbo, Central Military Commission [CMC] member, General Political Department director, and All-Army Family Planning Leading Group leader, delivered a speech at today's 27th All-Army Family Planning Leading Group meeting in which he emphatically called for grasping the Army's family planning work in the Ninth Five-Year Plan from the high plane of strategic national development, actively exploring new family planning work measures, and ensuring that the Army's family planning work will remain in the forefront in society.

Yu Yongbo pointed out: The recently concluded Fifth Plenary Session of the 14th CPC Central Committee put forth a grand blueprint straddling the century and explicitly laid down a per-capita economic growth rate and a population control rate, thereby giving strategic importance to population growth control, population quality improvement, and coordinated population, economic, and social development. The next five years is, he noted, at once a crucial period for the country's modernization drive and a crucial period for the country's population control. China's population control and family planning progress over the next five years will have a direct bearing on its population size at the turn of the century and an important bearing on fulfillment of the second-phase strategic goals and goals set for 2010, thus bearing heavily on happiness of future generations and the Chinese nation's development as a whole. It is of paramount importance to successfully further family planning work in the Ninth Five-Year Plan. We should, he held, further heighten understanding, resolutely carry out arrangements made by the central authorities, and conscientiously push forward the Army's family planning work.

Yu Yongbo went on: In the Eighth Five-Year Plan, thanks to the correct leadership of the CPC Central Committee, the State Council, and the CMC, and to the concerted efforts made by the Army's party committees, leaders, and family planning workers at all levels, the Army's family planning work scored marked results in population growth control and population quality improvement with the result that the Army successfully accomplished all tasks laid down in the Eighth Five-Year Plan. Nevertheless, we should be clearly aware of family planning-related problems, profoundly understand the protractedness and arduousness of family planning work, always bear in mind the party's strategic goals and the Army's historical mission, more consciously grasp family planning in the spirit of being highly responsible for the party's cause and the nation's future generations, this being a cause bearing heavily on the country's modernization drive. Yu Yongbo noted: This year is the first year for implementing the Ninth Five-Year Plan. This year's work has a direct bearing on fulfillment of the Ninth Five-Year Plan. Therefore, we should firmly grasp this year's work and strive to lay a sound basis for the Ninth Five-Year Plan fulfillment. To this end, party committees at all levels should earnestly strengthen leadership, take family planning as an important part of comprehensive army building, place family planning on the agenda, study and publicize the Ninth Five-Year Plan, study and work out specific ways and means of implementing the Ninth Five-Year Plan in light of the realities in the units, more frequently analyze situations, further enhance guidance, and push

ahead with work. The Army's principal military and political leaders at all levels should also take personal charge, assume overall responsibilities, conscientiously institute a responsibility system based on family planning quotas, continue to regard family planning as an important factor in appraising performance of leading cadres and units concerned, and continually adhere to the "one-vote veto" system. We should concentrate efforts on the grass-roots level, successfully carry out regular family planning education and management by relying on the grass-roots party branches, and further enhance family planning management of small, scattered, and remote units, units with bigger floating populations, and specific target personnel so as to ensure effective enforcement of family planning regulations.

Yu Yongbo stressed: We should actively explore new work methods and ensure that the Army's family planning work will remain in the forefront in society. Last year, we put forth the principle of integrating family planning with comprehensive army building, integrating family planning with officers' and soldiers' growth and progress, and integrating family planning with developing civilized and happy families, and we further defined the Army's family planning reform and development orientation. However, we still have to ponder,

practice, and create ways and means of successfully furthering family planning work in a new situation in accordance with the aforementioned "three integrations" principle, this being a major topic for discussion. While guiding the Army's family planning work, we should try to submit Army family planning work to the overall interests of the country and army building instead of indiscriminately grasping family planning work. We should try to turn a mechanism based on administrative restrictions alone into a mechanism based on administrative management, the constraints of law and discipline, and interests. All units should actively study and tackle family planning problems in light of local conditions, constantly sum up fresh experiences, raise work standards, improve work quality, and strive to open up new vistas for the Army's family planning work in the Ninth Five-Year Plan.

Today's meeting was attended by Qian Shugen, General Staff Department deputy chief; Zhou Youliang, General Logistics Department deputy chief; Lu Zengqi, General Logistics Department assistant chief and General Logistics Department Medical Department director; and All-Army Family Planning Leading Group members.

General

PRC: State Sets Creating New Jobs as 'Major Task'
HK1502084796 Beijing CHINA DAILY in English
15 Feb 96 p 1

[By Cao Min: "State Faces Tough Job of Employing Millions"]

[PTS Transcribed Text for FBIS] Expecting growing pressure of unemployment in the next five years, the government has decided to make the promotion of employment a major task for departments at all levels.

This follows an earlier pledge by the State in limiting its urban jobless rate to about 3 per cent by the end of the century, according to an official with the Ministry of Labour.

However, Zhang Xiaojian, director of the Employment Department of the Ministry of Labour, told a symposium in Beijing yesterday that it is not easy to reach the target, as the country's labour supply is expected to exceed demand during the Ninth Five-Year Plan (1996- 2000).

In the coming five years, China will make efforts to help about 40 million urban labourers, including surplus workers, find jobs.

About 82.5 million surplus rural labourers will be guided to move "in an orderly manner" into cities and coastal areas or be settled at local enterprises, especially in townships.

In a bid to maintain social stability, local governments should help urban labourers find jobs on their own with help from society and guided by State policy.

To create more job opportunities, enterprises would be encouraged to absorb more workers regardless of their ownership, Zhang said.

The Chinese Government will continue to retain redundant workers in unprofitable State-owned enterprises by launching a "Re-employment Project."

Besides providing financial relief to those laid off by enterprises, the project intends to improve workers' skills through further training to expand their job opportunities, Zhang said.

"It is another important task for us to instruct the surplus workers to change their ideas molded by the planned economy when they look for jobs and receive training for new jobs," Zhang said.

***PRC: Zhang Zhuoyuan on Soft Landing of Economy**

96CE0062A Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese 20 Oct 95
No 10, pp 10-12, 5

[Article by Zhang Zhuoyuan (1728 0587 0337), Chinese Academy of Social Sciences: "Prospect of a 'Soft Landing' for China's Economy"]

[FBIS Translated Text] China's economy has been slightly overheated ever since 1991, and during the first half of 1993, it showed serious instability. The central government increased macroeconomic regulation and control, and enterprises applied both economic and administrative methods in conjunction with the intensification of system reform — primarily fine tuning — to revive the economy's stability and coordination to produce a "soft landing." After two years of effort, by May and June 1995 people finally realized that a "soft landing" was in prospect for China's economy, meaning that a major slide in the economy would not be necessary to correct the aggregate imbalance, the structural imbalance, and the serious inflation that consecutive year high speed growth had caused.

Monthly Price Chain Ratio Index Shows Economy Stabilizing

Price changes are an overall reflection of the operation of a country's macroeconomy. For China, it is generally believed that a consecutive year rate of increase in prices of more than 10 percent seriously threatens economic stability. (Nowadays, mostly the rate of increase in national retail prices, and the rate of increase in consumer prices are used to get the consecutive year rate of increase in prices.) This indicates that operation of the macroeconomy is uncoordinated, and the existence of both an aggregate and a structural economic imbalance. In 1993, the country's retail prices and consumer prices rose a respective 13.2 and 14.7 percent. In 1995, these two indices went even higher to reach 21.7 and 24.1 percent, the highest level since founding of the people's republic. This situation resulted in the central government's not daring to relax the policy of greater macroeconomic regulation and control that it began in June 1993. Instead, it decided at the end of 1994 to make control of inflation the main goal of macroeconomic regulation and control, and correct handling of the correlation among reform, development, and stability the key to spiking pressures from all quarters. It instituted a tight money policy in the hope of containing the trend toward runaway inflation. Thus, beginning in March 1995, a major shift occurred in the operation of the macroeconomy that gradually produced greater stability and coordination.

A change in the monthly price chain ratio index (i.e., comparison of the current month with the previous month) heralded the major shift in operation of China's macroeconomy. The nationwide retail price monthly chain ratio rate of increase was 3.2 percent for January, and 0.8 percent for February. The situation was bad in both months. Extrapolated for the year, these monthly rates showed a continuing very high rate of increase in prices. The situation improved after March. In March, the chain ratio was zero; in April, it was 0.7 percent; in May, it was 0.2 percent; in June, it was -1.2 percent; and in July, it was -0.7 percent. The monthly chain ratio index since March showed that after two years of continued substantial rise, prices in China had begun to stabilize. If this trend continued for the final months of the year, the rise in the monthly price chain ratio would not exceed 0.5 percent. That would mean we had made real progress in curing inflation and that prices had substantially stabilized, thus marking a "soft landing" for the economy.

During the first half of 1995, the rate of increase in commodity retail prices in China was still fairly high in comparison with the same period in 1994, reaching 18.5 percent. The rate of increase in consumer prices was 21.1 percent. In July, commodity retail prices were still 14.6 percent higher than during the same period in 1994, and 17.9 percent higher during the period January through July than during the same period in 1994. However, the rate of increase in comparison with the same period in the previous year, or with the previous month, did not reflect accurately the true changes in current period (such as March through July 1995), or current month prices. For example, during June and July 1995, commodity retail prices were lower than during the previous month, having fallen a respective 1.2 and 0.7 percent, but they rose a respective 16 and 14.6 percent in comparison with the same months in 1994. The reason is that comparisons with the same month in the previous year included the lag effects of May or June 1994 and the previous as yet uneliminated price rise factors. They also included the lag effect of price rises during the first five months of 1995. For example, the monthly commodity retail price chain ratio index for January and February increased 3.2 and 0.8 percent respectively. Naturally, this greatly raised the overall price level. Therefore, examination of price changes, and determining whether real progress has been made in curing inflation requires mostly looking at the monthly chain ratio index, and watching it for several months to gain a fairly accurate understanding of what is taking place. In 1989, commodity retail prices nationwide increased 17.8 percent over 1988. Actually, however, during the second half of 1980, the rate of increase in the commodity retail price monthly chain

ratio was nearly zero, showing that prices had stabilized during the second half of the year and that efforts to cure inflation had been successful. The entire macroeconomy was now stable and coordinated.

Of course, a downturn, or the appearance of negative increase, in the monthly price chain ratio rate of increase also gives powerful impetus to a downturn in the rate of increase in prices over the same period in the previous year. In July 1995, commodity retail prices were 14.6 percent higher than during the same period in 1994. This was an 8.6 percentage point downturn from the 23.2 percent for December 1994. (It was also a 7.2 percentage point downturn in June, a 5.6 percentage point downturn in May, a 5.2 percentage point downturn in April, and a 4.5 percentage point downturn in March from the 23.2 percent for December 1994.) It appeared that should this trend continue, no marked rebound occurring, government's control of the price index, i.e., an approximately 15 percent rise in commodity retail prices over 1994, could be realized, or nearly realized.

Speed of economic growth and speed of increase in investment in fixed assets also suggest that China's economy is tending toward stability and coordination. It is coming in for a "soft landing."

A look at economic growth shows a GDP of 2.2139 trillion yuan for the first half of 1995. Figured at comparable prices, this is a 10.3 percent increase over the same period in 1994, and a 1.3 percentage point downturn in the rate of increase from the same period in 1994, or gradually approaching proper increase.

A look at investment in fixed assets shows an investment in fixed assets of 565.4 billion yuan throughout society during the first half of 1995, up 25.5 percent over the same period in 1994. This includes a 376.4 billion yuan investment by state-owned units, up 22.2 percent. This is a 15.3 percentage point downturn in the rate of increase from the same period in 1994. At the same time, investment in agriculture, which has declined year after year, picked up, increasing 30.4 percent during the first half of 1995 over the same period in 1994. The speed of increase in investment also suggests steady movement toward a proper range (It is generally felt that speed of growth of all investment in fixed assets should be controlled around 20 percent).

In short, after two years of readjustment and macroeconomic control, China's economy is now approaching a "soft landing." It is moving toward stability and coordination. Despite the piles of problems remaining, and the sorrow that exists in the midst of joy, the overall trend of the economy is rather encouraging. Categorical statements during the past two years that China's economy cannot make a "soft landing," that it can only make a

hard landing as it did in 1988, and that the economic situation is worsening day by day are not convincing. Nor are they consistent with objective reality.

Promotion of a Sound Macroeconomic Policy and Intensification of Reform To Effect a "Soft Landing," and to Turn Into a Benign Cycle

Three years of high speed economic growth have occasioned numerous problems for China, such as a tremendous rise in prices, a weak agricultural foundation, serious problems for enterprises in the form of goods accumulating in inventory and mutual payment arrears, and a widening of the income gap between one person and another and between one region and another. The relatively sound macroeconomic policy that the government has promoted for the past two years of mostly fine tuning the macroeconomy, and not making any major adjustments that might damage the sinews of the economy has scored initial success. Nevertheless, the Chinese economy has not yet completely made a "soft landing," nor are achievements in controlling inflation sufficiently firm as yet. For example, the downturn in the rate of price rises during the past several months has depended, to a substantial extent, on limiting prices by administrative fiat, and large increases in fiscal subsidies. Between January and June, government outlays for subsidies increased 1.5 fold over the same period in 1994. Obviously, this cannot go on for long.

Attainment of predetermined goals means, first of all, no major retreats from government's macroeconomic policy, and some tightening of macroeconomic policy, particularly continuation of monetary policy. Practice with reform and opening to the outside world in China has warned us repeatedly that when macroeconomic policy is tightened to reverse overheating of the economy, local governments and enterprises are not all that approving. They constantly ask the central government to make money looser and increase credit so they can continue to go full speed ahead, or in order to rescue them from landing in a predicament for one reason or another, or from becoming a money losing state-owned enterprise. If the government does not stand firm and hold fast, but gives in to local government and enterprise demands by relaxing monetary policy too early and increasing credit greatly, nothing will come of its original plans for effecting a "soft landing" of the economy by tightening expenditures and credit. The economy will touch down, only to take off again, investment will inflate, the economy will overheat once again, and prices will rise by more than two digits. Right now, China is facing a situation that is generally identical to this scenario. The central government's macroeconomic regulation and control policy is under considerable pressure. Some local

governments and enterprises are complaining that they cannot bear the central government's macroeconomic regulation and control, that the urban unemployment problem has become more serious, state-owned enterprise losses have increased, money is in short supply, and that the bad debts of the state-owned commercial banks have increased. They use these arguments as reasons for demanding a relaxation of macroeconomic policy, and great increases in credit in order to ease the above problems. Presumably, because of the lessons of past experience, the central government will not budge. It has repeatedly declared a continuation of the tight money policy, continued maintenance of financial stability, and continued curing of inflation. I believe that if only the government continues to promote a sound macroeconomic policy, and forsakes the ultra-highspeed growth that is bound to lead to crisis, China's economy will be able to make a smooth "soft landing."

Carrying out a sound macroeconomic policy well requires major efforts to improve agriculture in order to increase the effective supply of agricultural products. China has a population of 1.2 billion, 900 million of whom are peasants. Agriculture's role in the national economy is especially pronounced. Agricultural harvests have a decisive effect on the operation of the macroeconomy. Every economic crisis in China for the past several decades began with a crisis in agriculture. They all occurred because of bad harvests resulting either from the neglect of agriculture or serious natural disasters that led to proportional imbalances in the national economy. The current three consecutive year economic crisis brought about particularly by too high speed industrial growth likewise began with a large shortfall in agriculture. The development of agriculture was unable to keep up with development of industry and the entire national economy, so a shortage of agricultural products occurred. The tremendous rise in prices during the past two years, and the rise in prices of grain and other agricultural products became a bellwether. The rise in food prices, which accounts for more than 60 percent of the rise in all retail prices, once again demonstrated vividly how great the role of agriculture. Thanks to the constant lessons of practice, governments at all levels have come to realize that effective control of inflation, control of the extent of price rises, and ensuring sound and healthy operation of the macroeconomy demand decisive strengthening of agriculture and doing a good job in agriculture. It requires doing a good job of building "rice bag" and "vegetable basket" projects for steady increase in the effective supply of agricultural products. However, agriculture is much affected by natural conditions and weather conditions. Development of agricultural production requires not only an increase in inputs, including inputs of science and technology, protecting

farmland, and correct policies, but also help from the heavens. So long as no serious natural disasters occur to cause a lean harvest, and the harvest is somewhat better than usual this year, there will be no shortage of supply of agricultural products, and the price of agricultural products — particularly the price of grain — will not make another leap upward as they did in 1994, the economy's gradual trend toward a "soft landing" will be irreversible.

Progress towards a stable economy and a turn toward a benign cycle also requires continued intensification of economic system reform. Since the second half of 1994, the pace of some reforms had to be slowed in order to cure inflation. Now, however, as the control of inflation begins to show results, and the economy is becoming more stable and better coordinated, a better economic climate and a better market competition environment exist for the economic system reforms that are currently intensifying, particularly the reform of state-owned enterprises. This will help intensification and smooth progress in overall coordinated reforms centering around the reform of state-owned enterprises. The biggest difficulty being faced today is reform of large and medium size enterprises. Very many large and medium size state-owned enterprises have come up against the problem of unclear property ownership rights in the founding of a modern enterprise system. They also have too high a debt rate, too many unneeded personnel, and heavy social welfare burdens. They face problems with unclear separation of government administration and enterprise management, and deteriorating management problems, as well as the lack of a market environment for fair competition. Eradication of the harassment of serious inflation will help a gradual solution of the above problems. Only enterprise reform that leads to founding of microeconomic economic entities suited to development of a socialist market economy will make it possible to shape a competitive market system, and make it possible to escape from the vicious circle of "inflation - tightening - inflation."

With the trend toward price stability or general stability, conditions also exist for further reform of the price system, including rational readjustment of the price structure and decontrol of prices. In order to contain the rise in prices, during the past two years the government has taken some actions to limit prices, or to increase subsidies to stabilize prices. It also inaugurated measures for strict regulation and control of prices. Consequently, price distortions could not be corrected at once, and various difficulties accumulated. Now, various jurisdictions and government departments have proposed quite a few price readjustment plans that would raise prices by billions of yuan. It seems that a beginning must be made

to consider a gradual readjustment of prices (such as increasing railroad transportation prices and grain procurement prices), and the decontrol of prices (such as abolishing a number of price restrictions) to improve the price structure so as to provide fairly accurate signals to the market economy, guide optimum allocation of resources, and improve economic returns.

Over the long term, only intensification of reform, and building and perfecting a socialist market economy system can cause the economy genuinely to enter a benign cycle, improve the quality of economic growth, and improve macroeconomic operating efficiency.

PRC: Official Announces Plans for Auto Industry

OW1502085296 Beijing XINHUA in English
0743 GMT 15 Feb 96

[FBIS Transcribed Text] Beijing, February 15 (XINHUA) — China plans to put 24 billion yuan into automobile production in 1996, according to a report in China Automotive News.

The report quoted Zhang Xiaoyu, head of the Automotive Industry Department of the Ministry of Machinebuilding, as saying at a national conference on automobile production that China is expected to produce 1.55 million motor vehicles including 400,000 cars, and eight million motorcycles.

Zhang said that 11.2 billion yuan will be used for infrastructure in the industry and 12.8 billion yuan for technological renovation, particularly in auto parts development.

To meet the growing demand by individual customers, China will concentrate on developing multi-purpose economic automobiles that are energy-saving to keep prices down.

China will work on providing better markets and policies for the automotive industry, such as replacing the purchase tax with a gas tax and standardizing the sales tax.

The automotive industry department will continue to make use of foreign investment to build a stronger automotive industry.

PRC: State Issues Regulations on Alcohol Advertising

OW1402112396 Beijing ZHONGGUO XINWEN SHE
in English 1225 GMT 12 Feb 96

[FBIS Transcribed Text] Beijing, February 12 (CNS) — The State Administration for Industry and Commerce recently issued "Administrative Measures for Alcohol Advertisements".

They contain special regulations concerning brand names, trademarks, packaging and brewers and distiller.

The "Measures" state that medical terms or terms that are liable to be confused with medicine should not be used in advertisements for alcohol. Promotional material should not offer alcoholic beverages as prizes and gifts.

Banned for alcohol advertisements are:

1. Actions which encourage, entice or lure people to drink alcohol.
2. Images of under-age persons.
3. The use of symbols of potency such as cars, yachts and planes and unscientific expressions or suggestions of "getting rid of tension and anxiety" and "increasing physical strength".
4. Expressions or suggestions which attribute personal, business, social, sporting or sexual success to the consumption of alcohol
5. Comparisons or recommendations of or far different kinds of alcoholic beverages.

The "Measures" include regulations concerning the times at which advertisements for alcohol may be broadcast.

Such advertisements should not be broadcast more than twice in peak time (19:00 to 21:00) nor more than ten times in one day. They should not be televised more than twice in any one-hour.

Newspapers and periodicals are prohibited from publishing more than two such advertisements in any edition, and then, they may not appear on the front page.

PRC: Steel Exports in 1995 Total \$6.3 Billion

OW1502083396 Beijing XINHUA Domestic Service in Chinese 0851 GMT 6 Feb 96

[By reporter Suo Yan (4792 4282)]

[FBIS Translated Text] Beijing, 6 Feb (XINHUA) — The Eighth Five-Year Plan was a golden period in the development of China's steel industry. China became a major steel producer halfway through the Eighth Five-Year Plan and last year entered the ranks of the major steel trading countries in the world.

According to the latest information provided by the Ministry of Metallurgical Industry, China exported \$6.3 billion of finished and semifinished steel products last year. The volume of rolled steel and billet exported totaled 10.36 million tonnes, three times that in 1991, a record year.

Zhang Zhixun, director of the ministry's Production Department, said that last year's unprecedented advance in China's steel exports signifies an improvement in the strength of China's steel industry and an increase in the competitiveness of its steel products. He cited three distinct characteristics of China's steel exports: First, there was a sharp increase in export volume. The export volume of each of the 10 major finished and semifinished steel products exceeded 100,000 tonnes. Second, the export product mix improved, with steel slabs accounting for 60 percent of the export volume. This was a drastic change from the past, when the industry relied mainly on exports of low-level steel bars. Third, the industry had a vast export market, which expanded from Third World countries to more than 120 countries and regions, including Japan, the DPRK, and the United States.

It was learned that last year, although the domestic rolled steel market was in a slump, the international market looked fairly bright. Under these circumstances, the ministry adopted an export-increasing policy. It asked enterprises to change their thinking and try to increase sales in the international market. This year, the ministry adopted an industrial development strategy of exporting more steel products. It proposed that as import duties decline and export returns decrease, China's steel industry must maintain its share in the international steel market and do its best to maintain its export volume at last year's level.

PRC: National High-Tech Development Zones Grow 'Rapidly'

OW1502102896 Beijing XINHUA in English 0956 GMT 15 Feb 96

[FBIS Transcribed Text] Beijing, February 15 (XINHUA) — The 52 national high-tech development zones throughout the country grew rapidly in 1995, attracting 2,000 new enterprises, a government official said today.

Wang Ruiming, director of the Office for the Torch Program attached to the State Science and Technology Commission, said that the zones, which have become pace-setters in developing and expanding high technology, manufactured 130 billion yuan worth of goods in 1995.

He said that the 14,000 enterprises in the zones earned a total of 150 billion yuan from technology transfer, trade and industrial production last year, up nearly 50 billion yuan from 1994.

They also made 15.9 billion yuan in net profits in 1995, he added.

He said, "The national high-tech development zones and province-level high-tech development zones have become a driving force behind optimizing local industrial structures and invigorating local economies."

The Chinese government has decided to take high-tech development as a major measure to invigorate China's economy and increase its comprehensive national strength, he said.

A market-oriented economic system has been introduced in all the 52 national development zones, he said, adding that high-tech industrial belts have built in the Pearl River Delta in south China's Guangdong Province and in the Chang Jiang River Delta in east China's Jiangsu Province.

PRC: Qinhuangdao Development Zone Sets High Goals

OW1502080596 Beijing XINHUA in English
0620 GMT 15 Feb 96

[FBIS Transcribed Text] Qinhuangdao, February 15 (XINHUA) — The Qinhuangdao Development Zone, one of 16 national zones approved by the State Council, will concentrate on developing new and high technology and its export-oriented economy in the next few years.

By the end of the century, this development zone in north China's Hebei Province will develop 10 sq km of land, five sq km of which will be used for various projects.

Over the past decade or so, the development zone has approved 239 foreign-funded projects, involving a total investment of 900 million U.S. dollars, from 24 countries and regions.

Three sq km of the land has already been leveled and is open for business use, and a fairly complete industrial structure, comprising metallurgy, machinery, electronics, building materials, and light and fine chemical industries has taken shape in the zone.

There are 100 enterprises operating, which had a gross industrial output value of 5.4 billion yuan during the Eighth Five-Year Plan (1991-1995).

PRC: Telecom Projects for 9th 5-Year Plan Detailed
OW1402111896 Beijing ZHONGGUO XINWEN SHE
in English 0716 GMT 10 Feb 96

[FBIS Transcribed Text] Beijing, February 10 (CNS) — China will concentrate on telecommunications during the present Ninth Five-Year Plan. Projects to be developed have been categorised into several groups.

—Digital programme-controlled switchboards will be mass produced. Priority will be given to the develop-

ment of such models as HJD-04, EIM-601 and C&C-08. The functions of these models will be improved and their application promoted.

—Mobile communications equipment will also mass produced. Priority will be given to the development of digital cellular telephone systems, micro-cellular communications equipment, wireless pager systems, wireless telephone equipment, digital format wireless communication system as well as corresponding stations and portable switchboards.

—Cable television information networks will be developed centred on cable television and two-way signal systems and equipment as well as software.

—Optical fibre communications systems of high capacity will be produced. A number of models as well as optical fibre amplifiers will be developed.

—A number of satellite communications stations with a variety of frequencies will be introduced. Priority also goes to the development of small sized satellite communications stations, portable satellite communications stations and data stations.

—A wide variety of digital format micro-wave communications systems will be developed.

—Network products will be developed including computerized communications networks, adapters for a number of networks and network cards as well as bridges.

—Annual production of 100 million telephone sets will be achieved while, at the same time, output of between 2.5 and 3 million facsimile machines will be sought. Multimedia terminal equipment including televised conference systems will be developed.

Finance & Investment

***PRC: Commentator on Value-Added, Consumption Taxes**

96CE0122B Beijing ZHONGGUO SHUIWU BAO
in Chinese 8 Dec 95 p 1

[Xinhuashe special commentator: "Ensure Fulfillment of Value Added Tax (VAT) and Consumption Tax Revenue Collection Tasks for 1995"]

[FBIS Translated Text] Thanks to the correct leadership of the CPC Central Committee and the State Council, all jurisdictions and all government departments have further perfected and intensified economic system reform during 1995, have enhanced and perfected macroeconomic regulation and control, and have focused on solving glaring problems in economic life. The overall

situation in the operation of the national economy is good. The overall fiscal revenue situation is also good. Not only have fiscal revenues maintained fairly high growth, but revenues have increased faster than expenditures. Prospects are that the fiscal deficit for the year can be held within the budgeted amount.

It is noteworthy that although revenues from the main forms of taxation — the VAT and the consumption tax (hereinafter abbreviated to "the two taxes") — have continued to rise substantially, more can be done to improve collection. Revenues from the two taxes for the past 10 months fulfill only 77.4 percent of annual plan. This is better than the pace in 1994, but progress is still slower than it should be for the number of months that have elapsed. In 14 provinces and autonomous regions less than 75 percent of the two taxes has been collected. In the slowest province or region, only 52 percent has been collected. Unless these jurisdictions catch up in the less than a month remaining, revenues from the two taxes will not likely fulfill annual plan. This will adversely affect both central government and local government finances. CPC committees and governments at all levels must pay close attention to this matter, and take vigorous actions to solve it.

Some objective factors adversely affect progress in collecting the full amount of revenues from the two taxes, it is true, but misperceptions also play a certain role. The following ideas are current: In some places some comrades suppose that institution of the tax sharing system means that income from the consumer tax goes to the central government, and 75 percent of the VAT also goes to the central government. They also suppose that after the establishment of separate tax organizations, both taxes are collected by the national taxation bureau, local taxation bureaus collecting only local taxes. They feel that local governments have little to do with the collection of the two taxes. Consequently, they do not pay sufficient attention to, and they do not provide sufficient support for the work of the State Taxation Bureau's work and revenues from the two taxes. Among all the taxes that enterprises owe today, 80 percent owe the two taxes. When money for all purposes is equally tight, why is it that so much is owing for the two taxes. It is because enterprises regard the two taxes as "central government taxes." Actually, this is a very wrong idea since fulfillment of the two taxes revenue quota has a direct bearing on the common good. Not only does it have a direct bearing on the interests of the central government, but it also relates to the local fiscal system. Under the prevailing separate tax fiscal system, both the central government and local governments share the VAT. Regulations provide for a 75:25 joint sharing of this tax, but owing to bare

figure paybacks, the actual base is 50:50, meaning that the central government and local governments each get half. The consumption tax is a central government tax, a portion of which is also paid back to local governments for the same reasons. Statistics show that in 1994 paybacks of the two taxes accounted for 53 percent of local governments' total revenues. They were the most important integral part of local government financial resources. If the two tax quotas are not met, not only will the central government's sources of revenue be unbalanced and many major expenditures affecting the common good not assured, but paybacks of revenues to local governments will also be directly affected making it difficult for local governments to meet their budgeted fiscal expenditures. This is extremely detrimental to the operation of the local economy and the conduct of social undertakings. Therefore, CPC committees, governments, and departments at all levels must fully understand the importance of fulfilling the revenue quotas for the two taxes. They must unify thinking, show concern for the common good, and take effective actions to give close attention to the collection of the two taxes.

Tax collections according to law must be maintained, all taxes payable collected. All quarters concerned must unstintingly enforce the uniform tax collection system and laws. They may not bend the rules or wantonly violate the law. They must strictly investigate and punish cases of counterfeiting and theft of the special receipts used for the VAT, and the fraudulent use of such receipts. They must continue to crack down on all forms of tax cheating and tax evasion. Every tax agency must discharge its obligations diligently, conduct its work actively and on its own initiative, plug loopholes, and improve administration of tax collections. They must conduct large scale investigations of finance and taxation to halt and correct all violations of discipline and to prevent loss of revenues.

The key to ensuring fulfillment of revenue quotas from the two taxes lies in keeping on top of the taxes that enterprises owe. Enterprise tax arrears are already crimping the increase in tax revenues; thus, they adversely affect fulfillment of budgeted tasks for 1995. This problem is in urgent need of solution. Every jurisdiction, every government department, and every enterprise must act to protect the common interest, making settlement of enterprise tax arrears an important task to be given close attention. Enterprises must overcome difficulties, and get rid of the mistaken notion that "owing taxes is reasonable, and owing taxes is profitable." They must firmly establish tax payment awareness and a concept of the common good, paying their taxes according to the law willingly and at their

own initiative. While assisting enterprises to solve difficulties, governments at all levels must not only organize the collection of tax monies that make up local government fixed revenues, but also make a major effort to organize the collection of tax monies that make up central government fixed revenues and tax monies that are shared between the central government and local government. Banks at all levels must actively assist the tax authorities in settling delinquent taxes to ensure that enterprise taxes payable are paid promptly and in full to the treasury.

Less than a month remains this year to complete tax collections, particularly collection of the two taxes. The task is a daunting one. All jurisdictions, particularly jurisdictions in which progress has been slow in collecting the two taxes must pay closer attention to taxation work. They must improve leadership, immediately study and solve various difficulties and problems encountered, and make a major effort to catch up on collection of the two taxes. Particular emphasis must be given to ensure that all parties concerned make a major effort to support national tax authorities in improving tax administration. Local governments must help them solve immediately difficulties and problems in their work. Fiscal authorities, national taxation authorities, local taxation authorities, and banks at all levels must work together in an effort to fulfill 1995 tax revenue quotas, particularly the two taxes revenue quotas.

***PRC: Official Optimistic on Foreign Exchange Market**

96CE0122A Beijing JINRONG SHIBAO in Chinese
12 Dec 95 p 1

[Article by correspondents Chen Xuhao (7115 4872 6275) and Qiang Xinghua (1730 5281 5478): "Country's Foreign Exchange Situation in Good Shape. Further Moves Toward Renminbi Convertability in 1996. Better Financial Oversight; Intensification of Foreign Exchange Reform"]

[FBIS Translated Text] **Beijing 11 December** The correspondents have learned today from the General Administration of Exchange Control meeting of branch chiefs from all over the country that the country's foreign exchange situation has remained in good shape throughout the year. The foreign exchange market RMB exchange rate is substantially stable; the supply of foreign exchange is greater than demand; and foreign exchange reserves continue to mount. The General Administration of Exchange Control has improved financial management, and it continues to intensify foreign exchange reform to make a contribution in building the country's economy.

At the meeting, foreign exchange administrator Zhou Xiaochuan [0719 1420 1557] said that the country's foreign exchange system remained in good shape during 1995. This is manifested in the following several ways:

Domestic foreign exchange supply is greater than demand. During the first 10 months of 1995, China's foreign trade totaled \$221 billion, up 24 percent from the same period in 1994. During the first three months of 1995, the amount of foreign firm direct investment actually used totaled \$25.4 billion, up 12 percent from the same period in 1994. The country's international balance of payments remains favorable, the country showing a balance between supply and demand for foreign exchange with some surplus. Statistics show bank exchange settlements and exchange sales totaling \$174.82 billion for the first 10 months of the year. Interbank foreign exchange market transactions totaled the equivalent of \$54.27 billion, United States dollar transactions totaling \$491.2 billion, Hong Kong dollar transactions totaling HK\$37.55 billion, and Japanese yen transactions totaling 34.85 billion yen.

The RMB exchange rate remained basically stable. Sustained by a domestic supply of foreign exchange that was greater than demand, the RMB exchange rate continued steady with some rise overall, the exchange rate rising from RMB 8.45 yuan to the dollar at the end of 1994, to approximately 8.31 yuan to the dollar at present in a 1.7 percent appreciation. However, the rate of exchange trend differed from the straight line rise of 1994, the exchange rate prescribing a fluctuating curve during 1995. The stable exchange rate continues to create a fine climate for development of the country's foreign trade.

Foreign exchange reserves have increased. Although the cash turnover of designated foreign exchange banks increased in 1995, thanks to the continued favorable balance of international payments, the supply of domestic foreign exchange remained greater than demand, and foreign exchange reserves continued to mount.

It is estimated that end of current year foreign exchange reserves will total \$70 billion. Exercising its central bank macroeconomic regulation and control role, the People's Bank engaged in open market operations, thereby effectively holding down pressures for an increase in the money supply stemming from the increase in reserves.

According to Zhou Xiaochuan, guided by the State Council and People's Bank head office master plan for economic work and financial work in 1995, the General Administration of Exchange Control and the entire foreign exchange system, from top to bottom, have worked as one throughout the year to do a large

amount of work in consolidating and carrying out results obtained from foreign exchange reform. This was manifested mostly in the following:

First was better financial oversight. Annual inspections were conducted, the emphasis placed on the foreign exchange business of banks, and of trust and investment companies.

Second was better verification and control of foreign exchange collections, and readjustments of bank exchange settlements and exchange sales. During 1995, the General Administration of Exchange Control and agencies concerned will jointly draft "Supplementary Regulations on Export Exchange Receipts Verification and Control," for both strict control over exchange receipts from exports to prevent tax cheating, and also to simplify procedures. This will be strongly synchronized with the normal development of export tariff rebates.

Third is better administration and control of national foreign exchange reserves, the emphasis being on rise control. The General Administration of Foreign Exchange Control has adhered throughout to the principle of "safety, liquidity, and appreciation" in the administration and management of foreign exchange reserves in the face of an intricate and complicated international financial market environment and sustained increases in foreign exchange reserves. It has taken effective actions to improve risk control. Today, foreign exchange reserves management throughout the country is very good.

Fourth is perfection of the foreign exchange market and RMB exchange rate formation mechanism. On 1 March, the Foreign Exchange Trading Center formally established RMB and Japanese yen trading, thereby avoiding exchange risks for enterprises to a certain extent. Interbank foreign exchange market network trading system members increased by 63 from 1994, and the number of member units increased to 366. In the RMB exchange rate formation mechanism field, the country's 14 foreign exchange control branches, such as those at Beijing and Shanghai, set up exchange rate monitoring points. It also notified 14 designated foreign exchange banks to set up exchange rate monitoring networks in preparation for the establishment of an exchange monitoring network.

Fifth is annual inspection of enterprises in which foreign firms have invested. Reportedly, 49,800 such enterprises, or 89.7 percent of enterprises registered for the handling of foreign exchange, were inspected in 1995. Those meeting annual foreign exchange inspection requirements totaled 36,300, or 72.8 percent of enterprises inspected.

Speaking about work plans for 1996, Zhou Xiaochuan said that the main guiding thought for work during 1996 is to carry out the spirit of the Fifth Plenary Session of the Fourteenth Central Committee, and of the 1995 Central Committee Economic Work Conference, increase foreign exchange monetary oversight, make rational adjustments in the international balance of payments, intensify exchange system reform, and move ahead with RMB convertibility. Emphasis must be on the following tasks: Continued perfection of the bank exchange settlement and exchange sales system; gradual reduction of existing exchange limitations on current accounts; across-the-board institution of an international balance of payments statistics reporting system; active coordination with the readjustment and perfection of measures for tax collections affecting foreign countries that the State Council has decided, and with the inauguration of other reform measures; better investigation and study, watching closely changes in foreign exchange supply and demand; continued improvement of capital account control, and foreign exchange reserve administration and management and perfection of foreign exchange market operation, speeding up the transmission of information by electronic means.

***PRC: Background of Tariff Reductions Analyzed**
96CE0137A *Hong Kong KUANG-CHIAO CHING*
[WIDE ANGLE] in Chinese 16 Dec 95
No 12, pp 37-39

[Article by Zhu Wenhui (2612 2429 2547), Chinese Business Center, Hong Kong University of Science and Technology: "Tariff Reduction as Part of Drive To Open Up Economy"]

[FBIS Translated Text] **Jiang Zemin's Surprise Announcement**

President Jiang Zemin of China made a surprise announcement at a meeting of the Asia-Pacific Economic Cooperation Forum [APEC]: The overall level of China's import tariffs will drop by at least 30 percent in the future. This was followed by Vice Premier Zhu Rongji's [2612 3577 1015] disclosure that China's tariffs would decrease 60 percent or so in the next few years. The business community in Hong Kong reacted strongly to these announcements, which have also won praise from the United States, the EU, and Japan. What do we make of the latest round of tariff cuts by China?

Background of Tariff Reductions

The latest move by China to cut import tariffs again has an external background and an internal background. Externally, the fact that Jiang Zemin made the announcement at an APEC summit meeting no doubt invested

it with much political significance. It was intended to demonstrate China's confidence and determination to pursue trade liberalization and also to satisfy one of the requirements for entry to the World Trade Organization [WTO]. The latter intention, however, seems odd because committing oneself to making tariff reductions is tantamount to giving up a bargaining chip in future negotiations. It is safe to say that the latest round of tariff reductions is related, not primarily, much less solely, to China's application to join the WTO. To get a better view of the background, one needs to look at China's domestic economy. In recent years, that is, since 1993, China has extensively restructured its import control system by cutting tariffs by wide margins and dismantling nontariff barriers over time. In 1993, China rolled back import quotas, permits, and administrative examination and approval affecting 283 categories of commodities. Early in the year, it lowered import tariffs on 225 commodities and abolished the import regulating tax on some commodities, marking the beginning of deep tariff cuts. Subsequently, it reduced tariffs again on 2,898 commodities starting on 1 January 1994. This was followed by yet another round of tariff reductions affecting 246 commodities and the introduction of provisional tax rates in January 1995. In just a few short years, tariffs collected by the Chinese customs dropped from 100 percent to the current 26 percent or so. Another 30 percent decline from the latter level would yield an average tariff rate of 20 percent, still far higher than the average among other developing nations, which is 15 percent. With its growing economic muscle and comprehensive lineup of industries, China should be fully capable of absorbing a drop of 30 percent in its tariff rate. The fact of the matter is that China's present tariff structure is less than rational. Given the right internal adjustments, it should be able to absorb the latest round of tariff cuts without damaging its international balance of payments, jeopardizing its domestic enterprises, or undermining its market competitiveness, just as it has done on several similar occasions in the past.

Structure and Impacts of Tariff Reductions

The latest round of tariff reductions will affect over 4,000 of the 6,000 plus commodities imported by China. Although China has not yet announced how the cuts would be executed, there probably will be selective structural adjustments along these lines:

1. Like most developing nations, it may slash import tariffs by the widest margin possible on commodities that China need not import or rarely imports.
2. It may cut import tariffs on some farm products, raw materials, and energy, and abolish their import subsidies. This approach will both help improve the

supply-demand situation on the market at home and bring inflation under control.

3. It may cut import tariffs on products where China is competitive, such as apparel, some domestic electrical appliances, and bicycles. Many of the antidumping investigations targeting China launched by overseas countries involve those very industries. Take domestic electrical appliances, for instance, which have generated some of the biggest controversies. According to an analysis of 34 products conducted by the Ministry of Internal Trade in the second half of 1995, supply and demand were in balance for 25 of them, or 73.5 percent, and supply exceeded demand for the remaining 9, or 26.5 percent. Basically, therefore, there was no such thing as undersupply. After years of competing with foreign products, there has emerged in China a number of well-known brands of domestic electrical appliances that have secured a foothold on the domestic market by virtue of their consistent quality, relatively low prices, and reliable services. Chinese-made refrigerators, TV sets, and freezers have all captured over 80 percent of the domestic market. They should be fully capable of contending with imports after tariffs are reduced.

4. There are some tariffs which are now collected at high rates but do not have the intended effects. One example is tariffs on automobiles. High tariffs have created a yawning gap between domestic automobile prices and their international counterparts. The result: widespread smuggling. Shandong, for instance, is crammed with smuggled cars. Smugglers in Guangdong have the capacity to assemble more Audis than the output of No. 1 Autoworks in Changchun. Lowering tariffs by an appropriate margin will deal a blow to smuggling and encourage legitimate imports, thereby achieving the goal of replacing smuggled products with legitimate imports.

5. It may rescind a number of tariff reduction or exemption policies in conjunction with the adjustment of China's foreign trade policy (to be discussed in detail below). These policies so far have effectively lowered China's overall tariff level, an outcome which has not been reflected in the statistics, however. The abolition of these policies will go some distance toward softening the impact of tariff reductions on domestic enterprises.

Similarly, tariff reductions will not have an excessive impact on foreign-funded enterprises on the mainland. As far as export-oriented foreign-funded enterprises are concerned, the impact will basically be nil because the semifinished goods they import are not taxed to begin with. As for foreign-funded enterprises that cater to the domestic market, it is true they must compete with imported commodities from now on. However, thus far at least, most companies which have been exporting to

China, such as food companies in Taiwan, electrical and apparel makers in Hong Kong, domestic electrical appliance manufacturers in Japan, and high-tech firms in the United States and Europe, have set up joint ventures on the mainland. With investment effecting import substitution, the competition between the products of foreign-funded enterprises in China that cater to the domestic market, on the one hand, and imports, on the other, is often competition between the Chinese subsidiary of a company and the parent company itself. Naturally such competition is not overly fierce. Besides, the products of foreign-funded enterprises dependent on domestic sales enjoy a substantial cost advantage. Because these enterprises have invested heavily in marketing and sales and services, they should prove stiff competition for any new imports. For this reason, tariff reductions should not be a major negative factor for foreign capital. In those cases where enterprises see their costs go down because of lower tariff rates on imported raw materials, the positive effects of tariff reduction would actually offset its negative impact.

China's Foreign Economic System Maturing

Considering all the factors above, lowering the overall tariff level to 30 percent will not have too big an impact on China's economy as a whole, on domestic enterprises, or even on foreign-funded enterprises. Contrary to what some people fear, China will not be flooded with imports, factories will not close down, and the number of unemployed will not increase. All in all, this is a sign of the maturation and standardization of the Chinese economy, a trend that becomes even more evident in light of foreign economic reform, which under the recently unveiled Ninth Five-Year Plan should culminate in the introduction of "national treatment" for foreign companies.

Turning to China's own foreign trade enterprises, there was, first of all, the downward adjustment of export drawback rates and the abolition of the "three-no" policy as applied to foreign trade loans. Beginning on 1 January 1996, export drawbacks on goods clearing customs for export, on coal, and on agricultural products would still be payable at 3 percent, but the export drawback rate for industrial goods processed from agricultural products would be lowered to 6 percent. The export drawback rate for commodities with a value-added-tax (VAT) rate of 13 percent also would be reduced to 6 percent. For other commodities with a VAT rate of 17 percent, the export drawback rate would be lowered to 9 percent. During the 1988-1990 foreign trade contracting period, a "three-no" policy was introduced with regard to money-losing foreign trade enterprises. Under the "three-no" policy, foreign trade enterprises which overdraw their

accounts do not have to pay additional interest or penalty and would not have their interest suspended. Implementation of the "three-no" policy is scheduled to cease on 31 December 1995. This is a sign that China is set to drastically reduce and even eliminate policy measures in the export subsidy category. Second, China has been easing the entry into foreign trade. The foreign trade examination and approval process will gradually be replaced by a registration system. Production enterprises will be encouraged to export on their own. Mandatory foreign-exchange-earning-through-export tasks will be decreased and ultimately abolished to bring about trade liberalization at the export end.

The liberalization of enterprise regulation and the phasing out of subsidies has been accompanied by moves to annul preferential policies of a regional or local nature. Below are the tax breaks the Chinese Customs are scheduled to terminate on 1 January 1996: 1) technological transformation projects: a policy allowing such projects in economic development zones along the coast to import equipment tariff free; 2) compensation trade projects: a policy allowing such projects to import mechanical equipment, raw materials, and accessories tariff free; 3) barter trade: a policy allowing the importation of electrical machinery, raw materials, and accessories tariff free or at reduced rates upon the presentation of a written instruction from the Ministry of Foreign Trade and Economic Cooperation; 4) donations: a policy exemption from tariffs on the importation of materials donated by foreign companies upon the presentation of a written instruction from the provincial foreign affairs department; 5) enterprises funded by the three sources of foreign capital: a policy allowing those enterprises to import tariff-free machinery, equipment, parts and components, and other goods within the total amount of investment; 6) foreign-exchange-earning agriculture: a policy adopted by economic development zones and designed to encourage the development of export-oriented processing using agricultural products. It allows the importation tariff free of the necessary seeds, seedlings, breeding stock, feeds, drugs for protecting plants and animals, machines and tools used in farming, aquatic breeding, and the processing of farm products, and other essential technical equipment on the presentation of a written instruction from the foreign economic relations and trade commission of the province in question; and 7) a policy allowing the importation tariff free of vehicles for business use with the purpose of substituting imports with domestically made cars.

The implementation of the above measures may be postponed by varying periods of time because of all sorts of opposing opinions, but they will definitely

be carried out. Their implementation suggests that the management of foreign trade enterprises in China has largely been standardized.

Abolishing "Supra-National Treatment" for Foreign Capital

As far as foreign capital is concerned, the objective of reform is to bring about "national treatment," that is, unilaterally reducing the miscellaneous preferential policies previously enjoyed by foreign-funded enterprises that give them "supra-national treatment" vis-a-vis domestic enterprises, by, for instance, making them pay income taxes at the same rate as local companies. Foreign-funded banks in China pay income taxes at 15 percent, far lower than the 55 percent applicable to the four leading state-owned special banks and the 33 percent payable by domestic commercial banks. Such disparity is a major reason for the Bank of China's opposition to the proposal to allow foreign-funded banks in China to engage in renminbi operations. Before they are allowed to do so and compete with domestic banks, it is argued, one precondition should be the leveling of income taxes by raising the income tax rate payable by foreign-funded banks to 33 percent at a minimum. The call for tax burden equity has also been heard outside the banking system. Many domestic enterprises have been demanding loudly that foreign-funded enterprises pay income tax at the same rate as the former, that is, 33 percent, up from the current 15 percent enjoyed by enterprises in special economic zones (SEZ's), opened coastal areas, opened interior cities, and other locations with tax breaks. That would be one way to bring about fair competition on the domestic market and comply with the national treatment principle under international and multilateral trade and economic agreements.

As early as 1 January 1994, when financial and tax reforms went under way, there was talk within the Chinese government about abolishing the various tax reduction and exemption measures offered to foreign-funded enterprises. Wary of possible reaction from foreign capital, however, no decision was made on that front and the new tax system retained many of the original preferential policies. However, the issue has not gone away. Two things happened in 1995 that prompted the Chinese government to modify its foreign capital policy.

For one thing, China's own funds have been piling up very rapidly. On the one hand, its foreign exchange reserves hit \$73 billion and, thanks to sustained and robust export growth, will continue to accumulate. Add private foreign-exchange deposits in the Bank of China and that bank's foreign-exchange surplus deposits that used to be incorporated into China's foreign exchange

reserves, and the total amount of foreign exchange that the nation can draw upon should exceed \$100 billion. Considering that total direct foreign investment in China in all 1994 amounted to \$33.7 billion (of which about 60 percent consisted of imported equipment in lieu of cash investments), China's dependency on foreign investment is really not that significant; there is room for reduction. Furthermore, China boasts an extremely high domestic savings rate, with private savings standing at \$2,757 billion (as of late September this year). Within the banking system, deposits are beginning to exceed loans, so the supply of funds within the country is ample. The role of small and medium-sized foreign capital, which takes the form of myriad labor-intensive enterprises, will gradually diminish as local Chinese enterprises acclimate themselves to the global market. As the price of preferential policies becomes steeper and steeper, the demand for their abolition will also become more vocal. Moreover, small and medium-sized investments from Hong Kong, Macao, and Taiwan are expected to give way to multinational corporations based in the United States and Europe over time. A stable legal environment, wide market access, and national treatment in the areas of sales and services will have far more appeal to those corporations than nonstandardized tax breaks and preferences.

For another thing, with foreign capital gradually approaching the saturation point, the Chinese government began reviewing the pros and cons of its foreign capital policy in earnest in 1995. An internal report issued by the State Planning Commission early in the year was highly critical of foreign-funded enterprises, citing in particular such problems as the paucity of technology transfer, the loss of state properties, their practice of borrowing too much domestic funds, and their failure to balance foreign exchange that year (foreign exchange and spot exchange remitted out of China that year by foreign enterprises actually exceeded their investments during the same period). Also coming under criticism was the move by several Hong Kong businesses to buy up state enterprises. The Chinese government has drawn up in recent months a new list of industries where the utilization of foreign capital would be encouraged. The list points to a shift of emphasis to the infrastructure and heavy industry, which runs counter to the trend of Hong Kong, Taiwan, and Southeast Asian capital acquiring enterprises in light industry. The list signals that the Chinese central government has begun to have reservations about foreign capital. No longer will it welcome every single foreign company with no exception.

Owing to pressure from foreign capital (such as recent criticisms and proposals in the Hong Kong press), the Chinese no doubt will not rush to adjust its foreign

investment policy at the beginning of the Ninth Five-Year Plan. Nevertheless, the process of adjustment is expected to be completed within that five-year period. By then foreign enterprises will find it necessary to recalculate their bottom line, what with the Chinese domestic market becoming a level playing field and the introduction of national treatment.

Implementation of National Treatment

Amid the clamor for abolishing preferential policies for foreign-funded enterprises, work has begun to introduce national treatment for foreign capital, such as merging the foreign exchange regulating market previously retained for foreign-funded enterprises with the inter-bank foreign exchange market; making the renminbi freely convertible sooner; abolishing dual prices for foreign companies (Civil Aviation Administration of China, for instance, recently announced the adoption of a uniform airport tax applicable to both Chinese and foreign travelers); and opening up China's banking industry, commerce, and, most important, the service industry, in stages. The following sectors of the service industry are expected to be opened up during the Ninth Five-Year Plan:

1. **Banking:** China would allow the establishment of Sino-foreign joint venture finance companies, wholly foreign-owned finance companies, and Sino-foreign joint venture banks. In a Sino-foreign joint venture, both parties should be financial institutions and the foreign party should have a representative office in China. It is also possible that renminbi operations would be open to foreign-funded banks to some extent.
2. **Insurance Industry:** China would open up the insurance market within limits. For the moment Sino-foreign joint insurance companies are allowed only in Shanghai.
3. **Accounting and Auditing:** Foreign investment would be allowed in these industries in the form of Sino-foreign cooperative operations in economically developed areas. **Health insurance:** Foreign organizations would be allowed to set up hospitals and clinics as Sino-foreign joint ventures or cooperative ventures on a trial basis.
4. **Advertising:** China would permit the establishment of Sino-foreign joint ventures or cooperative ventures in the advertising business. However, the foreign partner must be a legal-person enterprise whose core business is advertising and which has advanced technology, equipment, and managerial expertise. No wholly foreign-owned advertising firms would be approved.
5. **Petroleum Services:** China would allow foreign companies in the form of Sino-foreign cooperative ventures to offer off-shore petroleum services including

technical consulting and geological prospecting. The foreign partner must comply with the applicable rules and meet any bidding requirements laid down by the Chinese government. As for providing services to petroleum prospecting on land, foreign companies would be allowed to recover petroleum jointly with the Petroleum and Natural Gas Corporation in designated areas.

6. **Real Estate and Construction:** China would allow foreigners to invest in real estate and open engineering design companies as Sino-foreign joint ventures or cooperative ventures. However, foreigners would not be allowed to set up companies specializing in construction. The foreign partner must be registered in its own country and should be highly competitive.

7. **Transportation:** China would allow foreign companies to become cargo transportation agents or shipping agents in the form of cooperative ventures. Depending on need, foreign companies may enter the business of road transportation by setting up Sino-foreign cooperative ventures.

To sum up, in conjunction with the restructuring of the domestic economic system, China will overhaul its foreign economic system as well during the Ninth Five-Year Plan to smooth the way to a market economy both at home and abroad. By then not only will foreign capital be competing on a more level playing field inside China but Chinese capital will also be able to enter the global economy more readily.

*PRC: China's Stock Market in Perspective

96CE0128B Chongqing XINAN JINGJI RIBAO
in Chinese 2 Jan 96 p 3

[Article by Liu Jusheng (0491 5468 3932): "Seeking Growth Through Standardization — A Summary of China's Stock Market Development"]

[FBIS Translated Text] China's stock market, which has emerged along with the steady intensification of our economic reform, has grown rapidly in the last five years to become the most conspicuous field in our reform and opening. But while our stock market has achieved huge successes, it also contains many hidden problems. In particular, stock market standardization problems have become a hidden danger affecting sound stock market growth and social stability.

I. Irreversible Achievements

When China first started a policy of reform and opening, many famous overseas economists from countries such as Japan and the United States held that China was not equipped to establish a stock market before the end of

the 20th Century. Most people in China were also quite unfamiliar with a stock market. But on 1 December 1990, when the opening bell rang on the Shenzhen Stock Exchange, it showed that China's stock market had been transformed from experimental over-the-counter trading to a focused pilot project in the trading market model. As reform and opening have been steadily intensified and the economy has taken off, China's stock market has grown quickly. In just a short five years, China's stock market has grown out of nothing from small to large, beginning to take shape. By now, our stock market pilot program has been expanded from Shenzhen and Shanghai to all places throughout China, having issued over 800 billion yuan worth of bonds [sic] of all types. On our Shenzhen and Shanghai stock markets, 310 companies have listed A shares, with 68 having listed B shares, for a gross market value of about 400 billion yuan. Meanwhile we have 19 enterprises listed in Hong Kong and the United States. Our annual stock trading volume has grown from a little over 60 billion yuan to more than 820 billion yuan, and we have over 5,000 stockbrokers. The Shenzhen and Shanghai stock exchanges have more than 20 million registered public investors.

The establishment and development of a stock market has had a far-reaching impact on China's economic activities, achieving outstanding successes in China's economic reform, which can be seen mainly as follows:

1. It has raised a huge amount of capital for our enterprise reorganization to the shareholding [joint-stock] system. One of the greatest problems encountered in China's enterprise reform was a severe enterprise dependency on bank loans for investment and regular operations, with our general enterprise capital debt ratio being over 80 percent. The establishment of a stock market has enabled a large number of reorganized joint-stock enterprises that conform to our national industrial policy and have growth advantages and potential to acquire a large amount of capital on domestic and overseas money markets. The data show that currently over 300 listed companies have raised on the stock market over 200 billion yuan, as well as, more than \$6 billion in foreign investment on overseas and B-share markets. These hundreds of billions of yuan of stable capital have undoubtedly provided a great transfusion to these over 300 listed companies, forcefully supporting the rapid growth of our state economy and forming a group of new state-economy growthpoints to promote economic growth.

2. It has promoted the optimization of our industrial structure and a rational disposition of capital. While the state had long emphasized control of our investment scale year after year, such control had never worked, with the more tightening down, the more vigorous

the expansion. When we controlled planned projects, a group of unplanned ones were started, and when we cut back state projects, a group of township enterprises were started. While such investment starvation of course had many causes, the main one was our enterprise dependency on bank loans alone, or our investment system of "fearing only that the money would not be loaned, not that it would be unrepayable." Even when projects collapsed and loans went unpaid, banks had no options. This old investment system was also one of the main causes of the duplicate and unchecked construction in all areas. But on the stock market, investors have to consider in their stock options factors such as the issuing enterprise's production efficiency, product marketability, and business reputation. When such an enterprise conforms to national industrial policy and is efficient and reputable, many investors of all types will compete to invest capital in it. But when an enterprise is poorly run with declining earnings, it is hard for it to issue shares, leaving it unable to raise the capital needed for maintaining production and operations, which effectively stops the input of capital into such a poorly run enterprise with no prospects. In addition, to acquire larger earnings, investors pay great attention to enterprise potential operating capability and economic efficiency. So while certain emerging industries with temporarily poor operating efficiency may still raise adequate growth capital due to their better growth prospects, other "declining ones" may be given the cold shoulder by investors, which naturally shrinks their capital input.

3. It has broken free from the traditional ownership and distribution-according-to-work models. Since reform and opening, China has practiced an economic system dominated by public ownership in which diversified economic components coexist. Our establishment of a stock market has enabled these diversified economic components not only to stay at the macroeconomic level, but also to join the ranks of enterprises reorganized to the joint-stock system. All of the over 300 companies now listed on our Shanghai and Shenzhen stock markets are joint-stock enterprises with diverse property rights structures in which diversified economic components coexist. The many investors of all types have allied themselves with these listed companies through investing in stock purchases and controlling stock rights, acquiring the rights not only to own enterprise assets and share bonuses, but also to choose enterprise leaders and oversee management, which has brought a qualitative change to China's ownership relations. That has essentially changed the past state of everyone owning enterprises while no one was responsible for them, establishing relations of mutual restraint among enterprise owners, managers, and producers, to bring a profound

change to enterprise management and operation. The stock market has also broken free from the traditional model of "distribution according to work," bringing public investors into the field of "distribution according to capital." All legitimate investment players, once investing in the purchase of listed-company shares, have the right to share according to law in the company's bonuses, stock splits, and profit distribution after capital appreciation.

4. It has opened up a channel for converting consumption funds into production funds. When China first instituted our policy of reform and opening in 1979, Chinese citizens had gross savings of 30 billion yuan, which grew 7 billion yuan that year. As the Chinese economy has grown so quickly and living standards have improved steadily, these national savings have skyrocketed to increase sharply. By 1994, our national savings had reached 2.5 trillion yuan, and are expected to top 3 trillion yuan in 1996, up more than 120 times from 1978. But it was hard to decide whether such a huge amount of savings deposits was good or bad. So the only way to convert them to a stable and long-term production and construction funding source was to develop a stock market. When some savings deposits are invested in stocks, as stocks have no maturity [due] date, such capital is forever invested in the production field. If they are invested in bonds, they can be stably used for construction within the terms set by the bond issuers. But while securities are negotiable and transferrable, they can shift only among investors. As the earliest invested capital that was spent on production and construction certainly does not leave the production field when securities are transferred or sold, securities accumulate better than savings. So the stock market has established a channel and built a golden bridge for the conversion of consumption funds into construction funds.

II. The Urgent Need for Standardization

While China's stock market has grown rapidly, it is also subject to many problems that cannot be ignored. So further development of China's stock market means that we will have to deal correctly with the relations between standardization and growth. Standardization is a support and means, while growth is the aim and essence. We need to strive for growth through standardization, while striving for standardization through growth. So at present and for some time to come, we will need to take aim at the following glaring problems, paving the way for steady standardization and improvement.

1. **Market isolation.** When China's stock market was designed, it contained a serious inherent flaw, in that a rightfully uniform market was divided into A-share, B-share, and H-share markets. The A-share market

was further subdivided into two markets, for individual and corporate shares. Moreover, these markets were and still are isolated from each other by mutually protective screens, with individual shares having no access to the corporate-share market and vice versa, foreign currencies disallowed for the purchase of A shares and RMB [renminbi] disallowed for the purchase of B shares, and Chinese not allowed to buy H shares while foreigners cannot buy A shares. So a rightfully integrated and uniform stock market, which has been divided up and dismembered into so many mutually-nonnegotiable incomplete markets, is sharply affecting our stock circulation and capital financing.

2. **Multiple prices for the same stock.** While "fairness," "openness," and "impartiality" are the principles that are practiced by standardized stock markets throughout the world, China's stock market is now severely "unfair, closed, and biased" in many aspects. Chinese stocks are divided into publicly-owned [public] and individual [private] stocks, with public stocks further subdivided into state shares and corporate shares, and private ones into employee shares and public shares. So as a single stock differs as to purchaser status and purchasing channel, it sells for different prices. For instance, while Shanghai Petrochemical was publicly issued in the Jiangsu region at the price per share of 8 yuan, it was issued in Shenzhen for only 4 yuan, while employees bought it for 1.6 yuan, the state and corporations paid 1 yuan, and its quota-share price was 1.8 yuan, meaning that there were five public prices for one stock. Certain listed companies try to reach certain objectives by making a host of offerings such as "public relations shares" and "preferential shares," leaving their stock prices even less uncertain. As this nonstandard phenomenon of multiple prices for the same stock severely violates the basic stock market principle of "the same rights and interests for a single stock," it has created an abnormal status quo in which 80 percent of our stock market's gross shares remain nonnegotiable, to have lost their basic function as stocks. Which has consequently left state assets idle, while similarly infringing on public stock interests.

3. **Management disorder.** In light of our brisk stock market growth, China's current management behavior seems disorderly and chaotic, with our existing management system being not only redundant and decentralized, but also in chaos as to rights and responsibilities. While the State Council has a Securities Commission, it is a procedural organ composed of 16 ministries and commissions. So 16 lateral ministries and commissions all make up our stock market's functional sector, all having the authority to issue orders to the stock market. As China's stock exchanges and trading centers

have branches everywhere throughout China, with local party and government organs naturally also being their local management bodies, such a redundant and decentralized management system has caused a state of mutual wrangling over issues and competing for profits. So while a stock market is a highly specialized and computerized system, as such a decentralized functional sector in charge of the stock market contains a considerable number of comrades with very little stock market knowledge, the disorderly phenomenon of "each blowing his own horn and singing a different tune" often arises. In recent years, sharp stock market volatility has been repeatedly set off by varying policies from the management sector and statements by leaders who lack elementary knowledge.

4. An unsound legal system. As a stock market is a smokeless battlefield where money is fought over bloodlessly at all times, it has always been a place where economic crime occurs readily. In recent years, there has been a steady commission of crimes such as bribe giving and taking, fraud, stock price manipulation, and overdraft [on account] trading in links such as stock issuing, listing, trading, and intermediary business market access. But the "Securities Law" that China has been revising for years has never been put into effect, leaving the stock market with no legal grounds with inflexible standards. Certain securities oversight departments have been complaining about our unsound legal system on one hand, while shelving current administrative and related legislation on the other. That has turned severe stock market violations such as "overdraft trading," "share price manipulation," "insider trading," "misinformation," and "rumormongering to confuse the market" into "open secrets," even turning certain local stock markets into absolutely nonstandard "gambling dens."

***PRC: Reform of Tax Rebate Policy Said Urgent**

96CE0128A Beijing JINGJI CANKAO BAO
in Chinese 4 Jan 96 p 3

[Article by Sha Ren (3097 0088): "Export Tax Rebates Must Be Reformed"]

[FBIS Translated Text] *Editor's note: With the new year having just begun, JINGJI CANKAO BAO is introducing a new column. Our new "Weekly Hotspot Critique" will act as quickly as possible to analyze and critique crucial news developments in the field of finance and economics. As to this special column's contributions, in addition to inviting correspondents to write them, we are also welcoming interested readers to submit manuscripts.*

Our export tax rebates became a focus of conflict again at the end of 1995.

Our ill-defined export tax rebate policy has resulted in the export tax rebates of foreign trade enterprises not arriving promptly. At the beginning of 1995, to obtain export tax rebates as quickly as possible, foreign trade enterprises accelerated their exports, striving for early exchange settlement and tax rebates, which spurred the rapid growth of our national export trade. But since 1 July 1995, affected by our export tax rebate reduction of 3 percent, as well as the huge amount of working capital and bank loans tied up in receivable but unreceived tax rebates, an unusual conflict has unavoidably appeared in 1996. While our gross foreign trade exports are continuing to grow, the overall economic efficiency of foreign trade enterprises is down sharply, with losses appearing.

Our export tax rebate system is a tax policy adopted to encourage exports. Once goods are exported, the state refunds to enterprises the taxes already paid to produce and handle such products. This is consistent with the international practice of a zero tax rate on export goods, playing a crucial role in lowering export costs and making export goods more competitive.

But since 1995, due to tax rebate quota flaws, too little collection and too much rebate, tax rebate lags, and tax fraud have had a severe impact on our national interests and foreign trade exports. While the state budgeted 55 billion yuan for tax rebates at the beginning of 1995, then reduced that quota to 35 billion yuan by the middle of the year, once the 30-billion-yuan in refundable but unpaid tax rebates from 1994 were deducted, only 5 billion yuan was left. That meant that once enterprises exported, they did not receive their tax rebates promptly, which raised export costs, and left enterprises with endless grievances.

Since we started to collect value-added taxes in 1994, we have been experiencing the problem of too little collection and too much rebate. As the taxation of enterprises that produce export goods occurs along a chain, with a particular export good needing to pass through a number of enterprises before the whole 17-percent value-added tax is collected, as well as, due to a variety of other factors, receivable taxes have not been collected and turned over to the treasury, while export enterprises have received full lump-sum treasury rebates after exporting goods, with receivable, never collected, yet still rebated taxes resulting in some taxes being over-refunded.

In addition, some excessive rebates have been swindled by lawless elements or enterprises that operate illegally, with the profit motive making lawless elements take risks. As China's export tax exemptions, rebates, collections, and deductions per se are a system of collec-

tion first and rebate later, that objectively gives lawless elements opportunities that can be exploited, motivating them to practice export and invoice fraud to cheat on taxes. Some collude with production firms, getting factories to issue invoices on their behalf to swindle tax rebates, while others evade and swindle taxes by overdeclaring to purchasing units and underdeclaring to tax payment units. Even more serious tax rebate fraud has become a specialty, occurring throughout the system, all the way from issuing phoney invoices to the foreign exchange, customs, and intermediary links.

Many export enterprises are also eager for quick success and instant profit, violating the normal foreign trade operating order, by adopting the trade form of "four independents and three invisibles" (or independent goods sources, clients, drafts, and customs declarations, and invisible cargo owners, foreign firms, and goods), which lets lawless elements exploit loopholes to engage in phoney exporting. Or else they arbitrarily mark up goods value, miscalculating prices, and practicing tax fraud through methods such as exploiting "rational" pre-tax exchange conversion costs, providing "legal" tax rebate documents to export enterprises to settle accounts, and having export enterprises handle the tax rebates. To crack down on export tax rebate fraud, the concerned departments have taken certain new steps such as establishing a system of "three-level checkups" for export tax rebate invoices and sending out fact-finding letters. While all of that was absolutely necessary, it has simultaneously slowed tax rebates even more. So these tax rebate problems are not only a shock to foreign trade enterprises, but also threaten foreign-trade-related production enterprises.

In fact, it is easy to see from the state's perspective that this undercollection, overrebating, and tax rebate fraud have formed a huge "black hole" of tax losses. As state revenue naturally could not sustain such losses, with our value-added tax collections also hard to standardize for a time, we could only solve the undercollection problem by lowering the tax rebate rate. So since 1 July 1995, the state has reduced its export tax rebate rate 3 points, as well as lowering it again on 1 January 1996. We provide a 3-percent tax rebate rate for primary products such as farm products and coal, a 6-percent rate for manufactured goods where farm products are the raw materials, and a 9-percent rate for other goods such as machinery and electronics. We were absolutely forced to do so.

But will this essentially solve the problem?

The current international practice is a zero tax rate on export goods, or tax exempt purchasing, with neither collection nor rebate, for an integrated system of col-

lection, exemption, deduction, and rebates. But China's method is collection first and rebate later, with tax collections and rebates handled by two sets of organs, and examination of several invoices necessary to get tax rebates from the treasury. While such a tax rebate form that delinks collection from rebate is more complex and strict than overseas practice, as its actual practice has exposed even more problems instead, it absolutely must be changed.

So it could be said that for China's foreign trade to grow further, we will have to reform our tax rebate method. Moreover, the sooner such reform occurs, the better for our overall national economy. Such reform must be focused on getting on track with international practice, by setting up a zero tax rate for export commodities.

Foreign Trade & Investment

PRC: Article on Eliminating Pirated Pornographic CD's

HK1502090696 Beijing JINGJI RIBAO in Chinese
7 Feb 96 p 8

[Article from the "Spiritual Courtyard" column by He Wei (0149 1218): "How To Eradicate Pirated Pornographic Compact Discs"]

[PTS Translated Text for FBIS] At present, the drive against pornographic and illegal publications," which has been extensively launched across all levels of society, is raging like a prairie fire.

What is worth deep pondering is that, although the campaign has been launched many times so far, illegal and pornographic publications have not been completely eliminated. In fact, it is not so hard to eradicate pornography but it is necessary to take stopgap as well as radical measures. We should look for the cause from the social, technical, and economical conditions, which enable pornography to come into being, for only by taking comprehensive management measures will it be possible to bring pornography under permanent control.

First, it is necessary to keep the network under strict control to reduce the possibility of people obtaining illegal software from the network. Although we can monitor and sift some contents in the network platform by technical means, we are still not quite successful with encrypted packets (jia mi de shu ju bao 0502 1378 4104 2422 2207 0545). To resolve the aforesaid technical problem, an important topic to be tackled in the drive against pornographic and illegal publications is to strengthen the classified nature of network communications and increase data transparency and controllability.

Second, it is necessary to crack down hard on the behind-the-scene producers of pirated compact discs

[CDs] in order to eradicate the source of right infringement incidents. Our previous drives against pornographic and illegal publications were like applying insecticide against mosquitoes and flies, wiping them out one by one when we saw them, but we failed to effectively spread insecticide in their hideouts. This made it difficult to effect a permanent cure. Presently, most of those peddling illegal publications on the markets are vagrants while the behind-the-scene producers of illegal publications often remain under deep cover. Generally speaking, they are familiar with computer technology and have a thousand and one links with the manufacturing plants, and some even have extensive connections and big protective umbrellas. Only when these people are ferreted out will it be possible to really plug the source of illegal publications.

To wipe out piracy, it is necessary to face up to China's national conditions. On the one hand, we should continuously educate people on the need to respect knowledge, consciously safeguard the interests of copyright owners, and crack down hard on piracy and, on the other hand, where conditions permit, we should try as far as possible to reduce the prices of electronic publications so that more common people can share the fruits brought by the information civilization.

***PRC: State Council Official Explains Stronger IPR Plan**

96CE0094A Beijing KEJI RIBAO [SCIENCE AND TECHNOLOGY DAILY] in Chinese 10 Nov 95 pp 1-2

[Article by Tang Dongning (3282 2639 1380): "Implement Action Plan To Protect Intellectual Property Rights—An Interview With Duan Ruichun (3008 3843 2504), Chairman of the State Council's Intellectual Property Rights Working Conference Office"]

[FBIS Translated Text] A State Council bulletin has just released the complete text of the "Action Plan To Effectively Protect and Implement Intellectual Property Rights" as formulated by the State Council's Intellectual Property Rights Working Conference. The localities are complying with the plan to step up enforcement and raise the level of property rights protection. I recently interviewed the chairman of the State Council's Intellectual Property Rights Working Conference Office, Duan Ruichun, on this matter.

Q: Why is this action plan necessary?

A: Protecting intellectual property rights is important to our legal system. After more than a decade of hard work, China basically has a complete set of laws on intellectual property rights; the administration and enforcement of those laws have been effective. But China was slow to legislate intellectual property rights; it had a high

starting point; the public was relatively ignorant of the property rights concept, and local implementation was uneven. At one time, law enforcement was slack in some localities and with respect to some areas, and the punishments meted out were not severe enough. The purpose of formulating this action plan is to strengthen the implementation link, to make people more conscious about the enforcement of intellectual property right laws, and to drive home the principle that there are laws to follow; wherever there are laws, they must be complied with, and law enforcement must be stringent; and violations will be prosecuted. The plan is to ensure the implementation of laws to protect patent rights, trademark laws, copyright laws, technological cooperation laws, laws against unfair competition, computer software protection provisions, and other intellectual property laws and regulations, so as to create a good environment and good conditions for China's reform and opening up and development.

Q: What is the relationship between this action plan and the Sino-U.S. negotiations on property rights?

A: China and the United States have been in negotiation over intellectual property right issues since the latter part of last year. Intellectual property rights are an international system, and protecting property rights has been our important policy since reform and opening up began. Our action plan was once the basis of negotiations with foreign countries, and eventually it became an addendum to a Sino-U.S. diplomatic letter of exchange. In this sense, implementing the action plan is implementing the work plan to strengthen China's intellectual property rights protection, but it is also a way to fulfill our international obligation to protect intellectual property rights.

Q: How is this action plan being carried out?

A: At the end of March this year, the State Council's Office of Intellectual Property Rights Working Conference convened a national work meeting which was attended by delegates from 30 provinces, autonomous regions, municipalities, and some key city intellectual property rights coordination and advisory organizations. The purpose was to make arrangements to implement the action plan. Take the monitoring of law enforcement for instance. Based on incomplete data gathered in 24 provinces and municipalities nationwide, in the first 6 months of this year, more than 3,000 investigations were launched, and as a result, more than 750,000 illegal audio and video cassette tapes, nearly 1.9 million pirated copies of laser audio and video discs, more than 37,000 pieces of pirated copies of computer software, and more than 458,000 copies of pirated books were confiscated.

Q: Control of audio and video products is an important social issue. Have we made progress in this area?

A: The action plan provides several measures on controlling audio and video products. 1) A Source Identification Device (SID) is used in association with laser discs and other products. The Bureau of News and Publications recently promulgated the "Circular on Implementing the Source Identification Device (SID)," and the nation basically has completed its work on engraving the molds that produce compact discs and laser read-only memories [?]. 2) Contracts to reproduce and distribute foreign audio and video products will be registered. The State Copyrights Bureau has already promulgated a circular on this matter. Henceforth, all units and individuals that work with the reproduction, production, and distribution of foreign audio and video products and computer software in the form of laser read-only memory [?] must register their contracts with the pertinent copyrights administrative organs. This work is already underway. 3) A copyrights authentication is put in place. Nationwide, in compliance with the action plan, when people register their contracts, copyrights are authenticated in the same process. If there is no proof of legal authorization, no license will be issued.

Q: Reportedly, pirated V-CD [VCR ?] laser discs have surfaced in some localities. Has anything been done to check this?

A: We have meted out administrative punishments on several unauthorized distributors of foreign V-CD laser discs and video cassettes in Jiangsu, Guangdong, and Liaoning. Statistics gathered in 16 provinces in the first half of this year showed that 166 cases were investigated; they involved copyright infringement of 13 foreign V-CD laser discs and 8 video cassettes.

Q: What about intellectual property rights protection by customs at the border?

A: General Administration of Customs statistics show that from September 1994 to June 1995, customs took the initiative to check 1,072 cases of violations and confiscated goods worth more than 10 million yuan. On 5 July of this year, the State Council promulgated the "Regulations on Customs Protection of Intellectual Property Rights," which went into effect on 1 October of this year. The General Administration of Customs is stepping effort to formulate detailed implementation rules and is planning to set up a Customs Intellectual Property Rights Protection Computer Filing Center.

Q: The action plan also calls for investigation of violation of patent rights and trademark counterfeiting. Has progress been made in this area?

A: Things are going well in this area. For example, in implementing the action plan, Guangdong's Patent Rights Administration investigated 36 cases, 16 of which have been wrapped up. With respect to protecting the exclusive use of registered trademarks, the State Administration of Industry and Commerce promulgated the "Industrial and Commercial Administrative Organs' Action Plan on Protecting Intellectual Property Rights" in April of this year. The State Trademarks Bureau set up a Trademark Enforcement Small Group and made public the names and telephone numbers of persons in charge and other liaison personnel. In particular, seven provinces and municipalities—Beijing, Shanghai, Tianjin, Jiangsu, Zhejiang, Fujian, and Shandong—and four cities—Wuhan, Shenzhen, Nanjing, and Qingdao—investigated a total of 1,930 cases of trademark infringement; they confiscated and removed more than 93 million pieces of trademarked logos and imposed 39.79 million yuan in fines and 5.50 million yuan in compensation; 14 people were sent to the judicial departments for criminal prosecution.

Q: Please, are there any plans to further strengthen intellectual property rights protection in the future?

A: Specifically, 1) with respect to legislation, we will further improve the intellectual property rights system and link tracks with international standards. 2) With respect to law enforcement, we will continue to strengthen and give full play to the basic functions of the people's courts, the people's procuratorates, and other judicial organs as main channels. We must do a good job with the intellectual property rights administrative organs law enforcement work and with the coordination and guidance of the intellectual property rights working conference system. 3) We will combine investigation and management. In investigating all types of infringement cases, we will focus on new situations and new trends in infringement and piracy and make every effort to solve the newly surfaced and the deep-seated problems, and at the same time, we will strengthen the management of the production units, the distribution areas, and the sales markets. 4) We will strengthen the universal propagation of intellectual property rights laws and professional training, striving to train 50 percent of the cadres at above the county department level and 80 percent of the management cadres in the science and technology, economic, and cultural departments within the next year or two. 5) We will guide the research units, the colleges, and the large and medium-sized enterprises in setting up intellectual property rights management systems and turn them into a part of the modern research institute system and the modern enterprise system.

PRC: Heilongjiang Reports on 1995 Opening-Up Results

SK1502070396 Harbin HEILONGJIANG RIBAO
in Chinese 17 Jan 96 pp 1, 2

[Report by the supervisory section of the general office of the provincial party committee: "The Pattern of Omni-Directional Opening-Up Is Taking Shape"]

[FBIS Translated Text] In 1995, the province opened itself to the outside world from a high starting point and with a big step, with a focus on the cooperation with the south, thus making the provincial economy pick up rapidly and social undertakings develop in an all-round fashion.

First, the scale of opening up expanded continuously thanks to the efforts of organizing overseas exchange activities at various levels and through various channels. The province launched exchange activities with the outside world at diverse levels and through diverse channels. In 1995, a total of 4,400 governmental, enterprise, and non-governmental groups went abroad to visit and observe developed countries and regions. In the meantime, the provincial government established friendly ties with Amur and Khabarovsk in Russia, with Olsztyn in Poland, and with Vasterbotten in Sweden. Six cities in the province, including Harbin, established friendly ties with Japanese cities. According to incomplete statistics, a total of 137 groups from more than 30 countries and regions came to the province for on-the-spot investigation and for trade talks.

With a focus on cooperation with the south, the province absorbed a good amount of quality foreign investment. The provincial authorities organized forces to help Shanghai successfully sponsor the Shanghai Exposition and organized groups to visit 12 provinces and municipalities. Some 100 enterprises went to Shanghai to look for cooperation partners and participated in the Bohai Rim Economic Cooperation and Trade Talks and in some other trade activities. And, various prefectures and cities, headed by their leaders, also went to developed areas to look for cooperation partners, resulting in a fairly big breakthrough in cooperation with the south. From the second half of 1994 to the end of 1995, the province as a whole signed agreements on a total of 1,055 economic and technological projects, including some agricultural development and enterprise cooperation projects, of which, 317 projects were already under implementation. Meanwhile, a total of 1.435 billion yuan was absorbed from the places outside the province. Haowei Group in Shenzhen city reached agreement with Mishan city on investing 140 million yuan in reclaiming 400,000 mu of wasteland. Thanks to the endeavor of various localities and departments, the province main-

tained a steady upward trend in utilizing foreign capital, although most provinces and municipalities in China witnessed a downward trend. From January to November last year, the province approved 755 new projects on direct utilization of foreign investment, involving a contracted investment of \$1.04 billion, of which, \$440 million was actually utilized. These figures respectively registered an increase of 14.5 percent, 82 percent, and 32 percent over the corresponding period last year. Thus far, the province has approved a total 4,630 projects on direct utilization of foreign investment, involving a total contracted investment of \$3.56 billion, of which, \$1.45 billion has been utilized actually. This has placed the province in an advanced position among the 18 provinces, municipalities, and autonomous regions in central and western China. Last year, in absorbing foreign investment, the province aimed at attracting investment from large international financial groups and transnational companies, thus getting in touch and holding talks with more than 20 world-renowned enterprises in the United States, France, Japan, and some other countries and regions. In 1994, many large international financial groups and large enterprises made investment and set up plants in the province, including Mitsui, Hitachi, and Kiwata [as transliterated] companies in Japan, Daewoo and Hyundai companies in the ROK, Nestle and Bovik [as transliterated] companies in Switzerland, Chia Tai Company in Thailand, and Weichuan Company in Taiwan, that join the ranks of the 100 largest businesses in the world. In addition, the scale of investment saw expanded markedly in the province last year, and 100 projects reached \$10 million each in their sum of investment. During the Sixth Harbin Trade Fair, a large number of consortium and enterprises with actual strength were attracted to the province. The agreements on economic and technological cooperation signed with an international consortium and enterprises during this trade fair amounted to \$720 million; and the agreements signed with other provinces in the country amounted to 1.82 billion yuan Renminbi, both showing a fairly large increase over the figures in the Fifth Harbin Trade Fair. Noticeable results were achieved in attracting foreign investment to conduct renovation of old enterprises, comprehensive development of agriculture, and construction of basic facilities. Of the 13 large and key projects decided at the beginning of last year, eight projects, including the Mudanjiang vitamin C project, the Daqing citric acid project, and the Jixi Gangda thermal power project, were approved, with the contracted foreign investment amounting to \$183 million. And, a number of renovation projects and basic facilities projects, including the renovation of Mudanjiang Refrigerator Plant and the expansion of Hagongda Highway, will probably be carried out. The already signed projects on compre-

heasive agricultural development involved a contracted foreign investment of \$170 million, accounting for 22 percent of the total contracted foreign investment last year. These projects on comprehensive agricultural development will bring about a production capacity of reclaiming 500,000 mu of land, producing 150,000 tonnes of grain and soybean, and processing 500,000 tonnes of soybean and 400,000 tonnes of corn. Harbin city again made new headway in utilizing foreign capital. In the first 10 months last year, Harbin city approved the establishment of 220 foreign-invested enterprises of three types, with a total investment of \$450 million, of which, \$240 million was the contracted foreign investment. By the end of November, Jixi city brought in 896 million yuan Renminbi from abroad.

Second, export-oriented economy developed rapidly as a result of taking advantage of border areas and rich natural resources. Since the beginning of the fourth quarter last year, about \$160 million worth's goods have been exported through border trade per month; and the trade volume of Suifenhe, Heihe, Dongning, and Mishan respectively registered an increase of 111.7 percent, 53.8 percent, 60.5 percent, and 46.7 percent over the same period of the previous year. By the end of October, the province's total amount of commodities exported and imported through barter trade reached \$1.28 billion, the signed projects on economic and technological cooperation amounted to \$160 million, and the laborers sent abroad exceeded 8,500 in number. Large foreign trade enterprises in the province readjusted the import and export product mix in a timely manner, actively developed superior locally produced export merchandises, and added 18 varieties of export merchandises, including bean dregs, paraffin wax, vehicle tires, and coal, thus earning \$100 million more in foreign exchange. Dozens of products turned out by the province's enterprises, including machine tools, electrical machines, bearings, flax and cotton yarn cloth, machine-made paper, and graphite, were exported to West Europe, Southeast Asia, and some 20 foreign countries. From January to October, specialized companies and large and medium-sized enterprises in the province earned \$360 million yuan in foreign exchange, up by 43.3 percent over the same period in the previous year. The total import and export amount of the three types of foreign-invested enterprises reached \$660 million, 3.8 times the figure in the corresponding period of the previous year. It is estimated that the province's total import and export volume will reach \$3.3 billion this year, an increase of 7 percent over the same period last year. Increasingly more agricultural and sideline products have edged into the markets of other provinces and markets in the world. At the second national agricultural exposition held not long ago, the province signed more than 200 million yuan worth

of contracts and letters of intention on economic and trade cooperation.

Thanks to the rapid construction of basic facilities, the large international economic and trade passageway appeared in an embryonic form. A breakthrough was made in building the backbone land passageway that links Harbin with various major cities in the province and in neighboring provinces and that connects various border ports one by one. Last year, with an investment of 1.61 billion yuan, the highway from Harbin to Yabuli Ski Resort, the highway from Mudanjiang and Suifenhe that is connected with Vladivostok in Russia, the highway from Beian to Heihe, and the grand bridge spanning Nen Jiang were completed and open to traffic; and the Harbin-Jiamusi section of the Hatong Highway was also open to traffic. A total of 757 km of high-grade highways were built in the province, accounting for two thirds of the highways of the same grade newly built during the Eighth Five-Year Plan period. Last year, 14 provincial- and county-level highways started construction with the 530 million yuan of provincial and local investment. Covering a total length of 1,450 km, these highways will extend over 37 cities and counties. Upon completion, trunk and branch highways will extend all over the province, forming a crisscross network. Construction of the river- and-ocean coordinated transport route was accelerated obviously. A total of 850 million yuan was invested in dredging the strategic routes linking inland rivers with border rivers, thus improving the navigation conditions. Some 120 million yuan was invested in building the Xinglinhe Foreign Trade Harbor in Jiamusi, in expanding the Heihe Harbor, and in improving the infrastructure of the 14 ports opened to the outside world. The province also added three large-tonnage freighters, thus enhancing the scale and capacity of river-and-ocean coordinated transport. The total investment in rebuilding Harbin Airport was projected at 1.23 billion yuan. Thus far, 55 percent of this investment has been used to make 58 air routes linking Harbin with one foreign country, one region, and 38 domestic open cities. Great progress was achieved in building communications facilities. A total of 4 billion yuan was invested in building 810,000 lines of program-controlled telephone exchanges, 190,000 lines of township and town telephone exchanges, 54,500 lines of long-distance exchanges, and 7,000 km of optic fiber communications lines. The cities at or below the county level and 570 townships and towns realized the digital transmission service and built nine enlarged local telephone networks, thus making their telephone numbers reach seven digits. The province also completed the construction of 52 projects, including the provincial speed skating ground for Asian Winter

Games, the Harbin Staking Hall, and the Yabuli Ski Resort.

The number of Chinese and foreign tourists increased obviously thanks to the vigorous development of tourist service. Tourism has already become a rising trade with a bright future in the province. Various localities have strengthened the building of basic tourist facilities and launched diversified tourist activities with various characteristics. From January to October last year, the province received 146,000 overseas tourists and earned some \$48 million in foreign exchange. In addition, the number of domestic tourists to the province also doubled and redoubled.

PRC: Nongovernment Contacts Promote Foreign Business

OW1502102796 Beijing XINHUA in English
0937 GMT 15 Feb 96

[FBIS Transcribed Text] Beijing, February 15 (XINHUA) — China's growing non-governmental contacts with foreign countries constitute a powerful force in promoting the Chinese economy, according to the Chinese People's Association With Foreign Countries (CPAFFC).

In recent years, the association, which deals with non-governmental activities, has been successful in stressing contacts between Chinese economic, trade and business groups and foreign countries.

Last year, CPAFFC received delegations from more than ten countries and sent delegations to the United States, France, Russia and other countries.

It also organized economic, trade, or technological co-operation symposiums for China and Russia, Israel and Indonesia.

"Such symposiums created opportunities for business consultations, research and for enterprises to establish contacts abroad and seek international co-operation," said an official with CPAFFC.

In 1995, CPAFFC sent more than 40 financial experts to Britain and the Netherlands for further training and some 180 students to Japan to learn about dyeing, architecture, and aquatic products processing.

Last year, CPAFFC received over 4,000 visitors in 301 delegations from 69 countries and sent 83 delegations to 56 countries. It also sponsored 36 performances, exhibitions, and other activities.

More than 50 Chinese and foreign cities became sister cities with CPAFFC's help, bringing the total number of such cities to more than 670 pairs.

CPAFFC organized a series of activities last year, marking the 50th anniversary of the victory in the anti-fascist war and in China's war against Japanese aggression.

Such activities help increase people's understanding of traditional Sino-Japanese friendship, and expose the attempt to deny the Japanese invasion by a few Japanese.

CPAFFC also played a role in supporting the convention of the UN Fourth World Conference on Women, in foiling the Taiwanese authorities' "dollar diplomacy" schemes, improving Sino-US relations, and in coordinating China's relations with its neighbors.

An official with the association said that CPAFFC will have more extensive exchanges with people of various countries this year, especially with major companies and foundations and try to help bring more foreign investment and technologies to China.

The association will also stress on exchanges and cooperation between China's medium-sized and small businesses and their foreign counterparts.

Agriculture

PRC: Pricing Measures To Curb Inflation Cited

HK1502040496 Hong Kong TA KUNG PAO
in Chinese 12 Jan 96 p A2

[Special dispatch by staff reporter Yeh Hung-yen (0673 4767 3601): "China To Raise Grain Purchase, Sales Prices"]

[PTS Translated Text for FBIS] Guangzhou, 11 January—China has decided to keep price hikes at round 10 percent in 1996. According to authoritative sources here, the authorities are determined to curtail this year's inflation and are expected to introduce the following three pricing measures at an appropriate time:

— Raise grain purchase and sales prices. The authorities have decided to raise average quota-based purchase prices for four grain crops, namely, rice, wheat, corn, and soybeans, from 52 yuan per 50 kilograms to 67 yuan per 50 kilograms, up 28.8 percent, and allow various provinces, municipalities, and autonomous regions to raise grain crop purchase prices by another 10 percent on the basis of 67 yuan per 50 kilograms. On the other hand, the country's grain sales prices are also expected to be raised correspondingly in accordance with the principle of recovering cost and making a little profit. As a result, the country's grain purchase and processing cost-based profit is expected to be raised by no more

than 2 percent while the grain allocation and retail cost-based profit is expected to be raised by no more than 1 percent. The new quota-based grain purchase prices are to go into effect once this year's grain enters market, while new grain sales prices are to go into effect on 1 June 1996 in accordance with a unified arrangement made by the central authorities.

— Raise electric power prices. As of 1 January 1996, the Three Gorges Project Construction Fund will raise the price of electric power from 0.4 fen per kilowatt hour to 0.7 fen per kilowatt hour;

— Raise rail freight charges. As of 1 April 1996, the average rail freight charge will be raised from 5.35 fen per ton kilometer to 5.85 fen per ton kilometer, up by 0.5 fen.

Wu Liang, Guangzhou City executive vice mayor, today talked about the city's price regulation and control mechanism reform in 1996. He said: Guangzhou will adopt such positive price regulation and control methods as "promoting production, circulation, and competition" to curtail price hikes rather than rely on government financial subsidies and forcing enterprises to absorb losses. On the premise of successfully implementing a series of national and provincial reform measures and fulfilling the city's price regulation and control tasks, Guangzhou is, he noted, also likely to raise prices on education, medical care, and other services and some public utility prices in a planned way and step by step so as to help enterprises in difficulties, reduce financial pressure, and straighten out irrational price relations.

Furthermore, the city government will also strive to perfect as soon as possible a price regulation and control mechanism based on economic and legal means in the main and necessary administrative means as well; strengthen government regulation and control of market prices; mobilize the whole society to take part in price management; and enable government, enterprises, new media, intermediate organizations, and consumers to join hands in price supervision and control, thereby systematizing price management and socializing price supervision.

PRC: Official Says Jiangsu Striving for Stable Agriculture

*OW1502085696 Beijing XINHUA in English
0824 GMT 15 Feb 96*

[FBIS Transcribed Text] Nanjing, February 15 (XINHUA) — East China's Jiangsu Province is using the law to protect the area's limited farmland. It will mean the recovery of 6,660 hectares of farmland, ensuring grain production this year.

The province will employ pricing and administrative means to guide farmers to ensure that areas for grain crops will reach to 69,330 hectares this year.

"This is part of our effort to guarantee the province, with cultivated areas averaging less than 0.06 hectares per capita, to gain self-sufficient in grain," said Jiang Yongrong, vice governor of the province.

Jiangsu plans to build a number of irrigation projects and raise more funds to subsidize the production of chemical fertilizers this year.

Jiangsu is known as China's largest economic province.

To ensure sufficient grain production, the provincial government has made contracts on production responsibility with top leaders in provincial, city and county governments, and designated farmland protection zones.

It also has used science to raise per unit yield and the output of livestock and poultry.

The province produced 32.863 million tons of grain last year, up 5.2 percent over the previous year, 561,000 tons of cotton, up 22.8 percent, and 1.596 million tons of oil-bearing crops, up 18.1 percent.

PRC: Billion Yuan Irrigation Project Built in Ningxia

*OW1502091996 Beijing XINHUA in English
0825 GMT 15 Feb 96*

[FBIS Transcribed Text] Yinchuan, February 15 (XINHUA) — A billion-yuan irrigation project, capable of helping one million poverty-stricken people to live a better life, has been launched in arid areas of northwest China's Ningxia Hui Autonomous Region.

The project, divided into 10 parts, will bring 130,000 ha of arid or semi-arid farmland under irrigation. It will cost an estimated three billion yuan.

Forty projects are already improving water conservation in areas already equipped with irrigation systems.

Other key projects include construction of an agricultural experiment zone for producing high-yield and high-grade crops, an European Union-aided high-tech project and creating a forest belt, as well as cattle farm and fishery bases.

The key project is a scheme to divert water from the Yellow River to Xihaigu Prefecture, a highland area in the region. The project will bring clean drinking water to 270,000 people and 790,000 livestock and turn 20,000 ha of wasteland into an oasis when seven pumping stations and a 200-km-long canal are built in the prefecture.

***PRC: Fluctuations in Cotton Production Examined**
96CE0134A Beijing ZHONGGUO NONGCUN JINGJI
[CHINA'S RURAL ECONOMY] in Chinese Nov 95
No 11, pp 33-38

[Article by Du Min (2629 3787), Rural Economic Research Center, Ministry of Agriculture: "Thoughts About the Reasons for Cotton Output Gyrations in China Since Reform and Opening to the Outside World"]

[FBIS Translated Text] Cotton, industrial raw material that it is, has an important bearing on the national economy and the people's livelihood. It also remains the sole major agricultural product under unified state control and for which the state sets uniform prices. Since the advent of reform and opening to the outside world, several bumper cotton crops have been harvested, but output has been uneven, substantial fluctuations occurring, including the two all-time peaks of 1984 and 1991. Fluctuations of more than 20 percent have occurred in seven years, and fluctuations of more than 30 percent have occurred in two. The conflict between supply and demand has never been solved. The shortage of supply remains the main problem. Analysis by the agencies and experts concerned suggest that for the next several years, total social demand for cotton in China will run between 4.6 and 5.1 million tons. During the past 15 years of reform and opening to the outside world, this level of supply was achieved in only three years. Furthermore, for the next several years, the international price of cotton will exhibit a rising trend. Therefore, an analysis of the reasons for fluctuations in cotton production during this period is very much needed. This article seeks to make a needed analysis in terms of government cotton price policy, returns from the production of cotton, and reform of the cotton distribution system in order to provide data that can be used to solve the conflict between cotton supply and demand.

I. Effects of Government Cotton Price Policy

Since the advent of reform and opening to the outside world, the government has used increases in the procurement price of cotton to change the enduring shortage of cotton that resulted from the low price cotton procurement policy that prevailed for a long time. For several years running between 1978 and 1982, it raised the procurement price of cotton and pursued a policy of offering other material incentives. In 1978, the government decided to raise the cotton procurement price effective from 1 August, the average procurement price of ginned cotton nationwide rising from 115 yuan per dan to 126 yuan per dan, a 10-percent rate of increase. In early 1979, the State Council decided to raise the

procurement price of some agricultural products beginning in March, the procurement price of cotton rising 15 percent. It also initiated a 30-percent additional price for above-quota purchases. Since cotton yields in North China are relatively low, an additional five percent was paid in North China cotton growing areas. In October, the State Council further decided that, beginning with the marketing of the new cotton crop in 1980, cotton procurement prices nationwide would be increased an average 10 percent on top of the prevailing price. Thus, for three consecutive years, the price of cotton throughout the country rose an average 12.2 percent each year, rising from 115 yuan per dan in 1978 to 157 yuan per dan. In addition, an additional 29.13 percent per dan was paid for above-quota purchases of cotton from North China cotton producing areas, the procurement price rising to 215.20 yuan per dan by the end of 1980. At the same time, the government instituted a materials compensation award sales policy for cotton. In 1978, the State Council decided that, beginning with the marketing of the new cotton crop, an award sale of 40 kilograms of chemical fertilizer would be made for every dan of ginned cotton the government purchased, and 42 kilograms for every dan of saw-ginned cotton. In 1980, the Central Committee decided on a special allocation of 960 million jin of grain and 100,000 tons of urea each year for cotton growing areas to provide grain rations for cotton growing peasants. In 1981, the government instituted a policy of providing an award sale of two kilograms of grain per kilogram of ginned cotton purchased in excess of the base figure. The above policies stirred peasant interest in production, thereby changing the long-standing standstill of cotton and increasing effective cotton supply. During the 5 years between 1980 and 1984, the area sown to cotton increased an average 8.96 percent each year, reaching more than 100 million mu in 1984. Gross output of cotton increased year by year. By 1983, the country's cotton output stood at 4.637 million tons, surpassing the Sixth Five-Year Plan norm. In 1984, cotton output reached 6.26 million tons. However, cotton began to pile up in warehouses, supply exceeding demand.

In order to alleviate the accumulation of cotton in inventory, during 1984 and 1985, the government several times inaugurated policies to check cotton production. First, it lowered by one grade the cotton price nationwide, and it decided to cancel the five-percent price subsidy in North China cotton growing areas (including the counties and communes of Jiangsu, Hubei, and Anhui that had enjoyed the North China price) beginning with the marketing of the new cotton crop in 1984. It changed the way of calculating the added cotton price from the base figure method to the ratio method. In south China, the cotton procurement ratio was a "flat

4:6" (i.e., 40-percent added price and 60-percent list price). In the north it was an "inverse 2:8" (i.e., 80-percent added price and 20-percent list price). In 1985, an "inverse 3:7" ratio for figuring price was instituted in north China cotton growing areas, and in 1986 the ratio was adjusted to an "inverse 4:6." This produced a 6-percent drop from 1984 in the procurement price of cotton. Second, various government administrative levers at all levels were used to control rigorously the cotton growing area. Within two years, the cotton acreage was reduced by 39,255,000 mu, a 37.89-percent reduction. Third, the preferential policy of award sales of grain for cotton procurement were changed. Beginning with marketing of the new cotton crop in 1984, the award sale of grain for each kilogram of cotton purchased in excess of the base figure in north China cotton growing areas was changed from the former 1 kilogram to 0.75 kilograms. No additional price was paid, nor were award sales of grain and chemical fertilizer given, for government procurement of sub-standard cotton. Fourth, the grades of cotton products nationwide were reduced one grade. Fifth, prices of agricultural means of production rose, causing a rise in the cost of growing cotton. The foregoing policies showed results extremely quickly. During 1985 and 1986, cotton acreage and cotton output fell about 40 percent. In 1986, cotton output was only 3.54 million tons. Once again, the demand for cotton outstripped supply.

In early 1987, the government used prices once again to spur cotton output. It decided to adjust the cotton procurement price both north and south to an "inverse 3:7 ratio" beginning with the marketing of the new crop that same year. In south China, the price of standard grade cotton rose from an average 163.20 yuan per dan to 176.42 yuan per dan; in the north, the price of standard grade cotton rose from 172.04 yuan per dan to 176.42 yuan per dan. An award sale of 3.5 kilograms of chemical fertilizer was given for every 60 kilograms of cotton the peasants sold, and no cap was placed on

unrestricted government procurement outside contracts. In early 1988, the government decided on an award sale of 2.5 kilograms of diesel fuel to cotton growing peasants for each dan of ginned cotton procured from them beginning with the marketing of the new crop that same year. For cotton shipped from one province to another, award sales were to be based on the net amount shipped according to state plan, the central government treasury providing a 128 yuan subsidy differential per ton of award sale grain. In January 1989, the State Council decided to alter the cotton procurement policy, increasing the standard grain ginned cotton procurement price from 176.42 yuan to 211.42 yuan per dan. At the end of February, the government raised the price of cotton once again. Beginning with the marketing of the new cotton crop, the procurement price for standard grade ginned cotton was raised from 236.42 yuan to 300 yuan per dan. The four price hikes and associated award policies inaugurated after 1987 further spurred cotton production. In 1991, cotton output nationwide revived to 5,675,000 tons, the second highest year for cotton output since the advent of reform and opening to the outside world.

Table 1 shows the direct ratio between the fluctuation in cotton prices since 1978 and both the area sown and gross output. Procurement price fluctuations governed fluctuations in both the area sown and gross output. When the government raised cotton procurement prices for several years in a row between 1978 and 1982, both the area sown and gross output of cotton rose from a respective 67.677 mu and 2.167 tons to 103.84 million mu and 6.26 million tons in 1984. Between 1984 and 1986, when the government depressed cotton procurement prices, the area sown to cotton and gross output fell rapidly to a respective 77.105 million mu and 4.15 million tons, and hovered around this level for six years. In 1990, the government substantially increased the cotton procurement price, so the area sown to cotton and gross output revived to a respective 98.077 mu and 5.675 million tons in 1990.

Table 1. Area Sown to Cotton and Gross Output Nationwide 1978-1993

Year	Area Sown		Gross Output	
	Area Sown (10,000 mu)	Percent Increase Over Previous Year	Gross Output (10,000 tons)	Percent Increase Over Previous Year
1978	7,300		216.7	
1979	6767.7	-7.3	220.7	1.8
1980	7380.4	9.1	270.7	22.6
1981	7777.6	5.4	296.8	9.6
1982	8742.6	12.4	360	21.3

	Area Sown		Gross Output	
1983	9115.9	4.2	463.6	28.8
1984	10384.7	13.9	625.9	35
1985	7710.5	-25.7	414.7	-33.7
1986	6459.2	-16.2	354	-14.7
1987	7266.3	12.5	424.5	19.9
1988	8302.1	14.3	414.9	-2.2
1989	7805.1	-6	378.8	-8.7
1990	8382.2	7.4	450.8	19
1991	9807.7	17	567.5	25.9
1992	10252.5	4.5	450.8	-20.6
1993	7478.1	-27.1	373.9	-17.1

II. The Role of Returns From Cotton Production

A. Effect on Production Costs

Suppliers of cotton in China have always been in a passive position. The price paid them has nothing to do with the willingness of cotton growing peasants to accept it. From the 1950's until the advent of reform and opening to the outside world in 1978, the government always pursued a low price monopoly procurement policy toward cotton under the planned economy. During a more than 20-year period, the government raised the procurement price of cotton from 91 yuan per dan to 104 yuan per dan, an increase of only 13 yuan, or an average annual increase of only 0.7 percent. Cotton prices, like the prices of other agricultural products, were distorted for a long time. Since reform and opening to the outside world, peasant interest in production is based on getting the maximum economic return from the lowest production costs. Although the peasants have no right to decide prices of the products they produce, they do have the right to decide the quantity and quality of investment in the production of agricultural products.

Simultaneous with the government's increase in the cotton procurement price for several years running from 1978 to 1983, it lowered the ex-factory sale prices of agricultural means of production. Prices of farm machinery, chemical fertilizer, agricultural pesticides, and plastic sheeting used in agriculture fell a respective 10 and 15 percent in 1979 and 1980. Consequently, cotton production costs did not rise greatly. They remained steady at around 50 yuan per mu. In addition, the government did more during this period to spread agricultural technology. Consequently, cotton yields

rose from 29.5 kilograms to around 50 kilograms per mu. Within a few years, net profit per mu of cotton increased tenfold. During this period, gross output also increased very rapidly to reach an all-time high (See Table 2)

Table 2. Cotton Farming Cost and Profit per Mu 1978-1991 (Units: yuan/mu, kg/mu)

Year	Output	Cost	Output Value	Net Profit
1978	29.5	52.11	64.94	12.83
1979	32.5	47.05	82.08	35.03
1980	36.5	45.76	106.71	60.95
1981	38	54.24	106.84	52.60
1982	41	49.18	130.14	80.96
1983	51	51.95	180.78	128.83
1984	60	72.80	190.67	117.87
1985	56	69.58	155.65	86.07
1986	51.8	112.11	189.88	77.77
1987	59.6	121.74	222.34	100.60
1988	67.8	171.32	291.15	119.83
1989	57.8	205.56	282.19	76.63
1990	56.6	238.10	358.13	120.03
1991	62.6	265.01	456.09	191.07

With government reform of the agricultural products procurement system between 1985 and 1989 whereby contract fixed procurement and market procurement replaced centralized procurement and assigned procurement, and particularly because of the deregulation of meat, poultry, egg, aquatic product, and vegetable prices, as well as upward adjustment of the prices of coal and short-haul railroad transportation, cotton production costs rose year by year. In 1984, it cost 72.80 yuan per mu to grow cotton. By 1989, the cost rose to 205.60 yuan in a 182-percent rise. Meanwhile, the government lowered the procurement price of cotton in order to solve the 1984 cotton glut and the burdens it occasioned for the government. Cotton output slid from a peak into a trough. Even though the government twice raised the price of cotton between 1987 and 1989 in order to bring supply up to demand, the output value of cotton consequently rising from 1909.70 yuan in 1984 to 282.20 yuan in 1989 in a 48 percent per mu increase, this was still far lower than the rise in costs. Therefore, despite the government's strenuous efforts during this period, gross output of cotton remained in flux (See Table 2 for details).

The cost of growing cotton continued to rise between 1990 and 1993 because of the rise in prices of the means of agricultural production, going from 205 yuan per mu in 1989 to 265.01 yuan per mu in 1991 in a 28.9-percent rise. At the same time, the government cotton procurement price also rose from 236.42 yuan per dan in 1989 to 300 yuan per dan in 1991 in a 26.9-percent rise. Government increase in the cotton procurement price remained largely on a par with the rise in cotton production costs. Cotton growing peasant interest in growing cotton revived. When government made no corresponding adjustments to cotton procurement prices as cotton production costs rise, the comparative benefit from growing cotton versus grain declined. This, plus other factors, such as the effect of natural disasters, like bad weather and boll weevils, caused another plunge in the gross output of cotton. (See Table 2 and "China Agricultural Yearbook," 1980 - 1994 for details).

B. Effects of the Comparative Price of Grain and Cotton

China's cultivated land area is limited; thus, the fight between grain and cotton for land has always been rather serious. Since institution of the family output-related contract system, the peasants base their planting decisions on maximization of economic returns. The battle between grain and cotton is really a battle between substantive benefits. Therefore, the comparative price between grain and cotton that the government sets is also a main factor affecting cotton output. The history

of agricultural production in China suggests that an approximately 1 to 10 price ratio between grain and cotton is about right.

Between 1978 and 1984, both grain and cotton output expanded fairly rapidly, outputs of both increasing enormously. Cotton output increased 19.9 percent annually. During these years, the price ratio between grain and cotton held at between 1 to 10 and 1 to 11.

Between 1984 and 1989, the price ratio between grain and cotton fell from 1 to 9.18 to around 1 to 7. Cotton output fell from 6.258 million tons to 3.788 million tons in an annual 9.6-percent rate of decrease.

Between 1990 and 1991, the grain to cotton price ratio rose again to around 1 to 10. Both grain and cotton production revived. 1991 was the second all time bumper harvest year for cotton. In 1992, the grain to cotton rice ratio fell again, this time to 1 to 8.67, cotton output declining with it. Gross output of cotton fell to 4.075 million tons.

It is noteworthy that since reform and opening to the outside world, the years in which the country's grain supply satisfied demand were 1982, 1983, 1984, and 1991, the very years in which the grain to cotton price ratio was 1 to 10 or above.

C. Effects of Rural Secondary and Tertiary Industries and Urban Construction and Development

Up until 1983, township and town enterprises did not exist on a large scale, and urban construction on a large scale was just beginning. The cities had very limited capacity to soak up excess rural manpower. More than 90 percent of rural manpower still worked primarily in agricultural production. At that time, economic returns from growing cotton were higher than for any other agricultural product. Consequently, during this period, cotton farming offered an ideal avenue for peasants to make money. Linqing City in Shandong recorded a 330 yuan per capita income increase from the growing of cotton alone.

With the inauguration of various government reform policies in 1985, township and town enterprises skyrocketed. In 1985, there were 12,224,500 township and town enterprises in the country employing 69,790,300 people as staff and workers. This was 18.8 percent of total rural manpower. With regulation of agricultural and sideline products, many peasants began to haul and sell agricultural products. This brought a takeoff in tertiary industries. Since 1985 in particular, the large-scale development and construction of coastal areas and large cities enabled large numbers of surplus rural manpower

to migrate to developed areas and cities. Relative economic returns became less and less in rural villages from the growing of both cotton and grain. Without a large rise in government procurement prices, peasant interest in growing cotton could not be aroused, and cotton output would only languish at a low level.

III. Effect on the Distribution System of the Slowing of Reform

No qualitative changes have occurred in the cotton procurement and marketing system since the advent of reform and opening to the outside world. The government has made only a few changes in the cotton procurement system. 1) In 1980, the government changed the full procurement system to fixed base figure procurement, i.e., it set a proportional base figure that remained unchanged for several years for a certain percentage of procurement and peasant retention based on average cotton output for several previous years of the plan period. For output over and above this base figure, the state issued an excess procurement norm each year as the annual plan for balancing annual output and demand warranted, paying an additional procurement price for it. 2) In order to adapt to the decentralized farming of cotton and peasant household production of cotton in the wake of the family output-related contract system, in 1985 the government announced replacement of centralized procurement with fixed contract procurement, no marketing of cotton in excess of fixed procurement permitted. The signing of contracts was determined by state-issued procurement quotas. They were subject to the administrative effects of governments in all jurisdictions. Fixed contract procurement, prices decided by the government, was actually still a plan quota.

Since reform and opening to the outside world, China's cotton procurement system has gone through full procurement from fixed areas, setting of base figure procurement, and fixed contract procurement. However, because of inconsistent cotton output and the shortage of cotton, in actual operation, the state procures cotton through coercive administrative means to this day. If government sets the procurement price of cotton at an equilibrium price level, the economic effect of this action throughout society is very high. However, the equilibrium price is arrived at through spontaneous regulation of market supply and demand. Therefore, when the government monopolizes all the distribution channels and the real suppliers and demanders — the peasants and textile enterprises do not meet in the marketplace, the procurement price that the government sets usually diverges from the equilibrium price. This causes gyrations in cotton output.

During cotton shortage periods such as during the early period of rural economic reform and during the late 1980s, the government successfully used a rise in peasants returns from production to stimulate peasant interest in production. In order to stimulate greater cotton production, the state constantly adjusted prices, mostly raising them. However, since cotton sale prices were not decontrolled, the increased cotton procurement price was not the equilibrium price at all. The additional payments had to be borne by the government treasury. Consequently, the higher cotton output, the greater the government's fiscal burden. Statistics show that in the bumper harvest year of 1991, the central government treasury had to pay 42.22 yuan for each dan of cotton the government purchased. (This included a 30.62 yuan fiscal subsidy, a 2.50 yuan diesel fuel subsidy, and a 9.10 yuan chemical fertilizer award sale subsidy.) The government paid 4.281 billion yuan during the year for this purpose. During bumper cotton harvest years, in order to break free from fiscal burdens, the government seeks to lower procurement prices. When the government opens up the market without providing any support (inasmuch as cotton is an industrial raw material, the amount that the peasants can consume is very limited, and individuals find storage a difficult problem), the government fobs off the cotton glut crisis on others in a disguised way. The interests of the cotton growing peasants suffer, thereby causing a tremendous decline in cotton output in succeeding years for which the government must suffer the bitter consequence. Between 1984 and 1985, for example, cotton output fell 2 million tons, a serious shortage of cotton ultimately ensuing. The large and medium-size state-owned enterprises that the state protected sustained economic losses because of the shortage of raw materials, so the government had no choice but to close cotton markets. Nowadays, since single rural families and households are production units, when the government wants to buy the cotton it needs, it must not only rely on administrative fiat, but also use prices to stimulate production. Government has no choice but to pay large fiscal subsidies in the end. When cotton production takes an upturn, the government must continue to bear a heavy burden. This state of affairs in the cotton distribution system is at odds with development of a socialist market economy. Consequently, government is frequently in an embarrassing predicament or bears heavy fiscal burdens, or cotton peasants have no interest in production.

In actual operation of the distribution system today, cotton and hemp corporations that are subordinate to supply and marketing cooperatives, act on behalf of the government in buying and selling cotton. Undeniably, the cotton and hemp corporations made a substantial contri-

bution to the government during the planned economy period, but during the mid-1980s following reform and opening to the outside world, the cotton and hemp corporations also carried out reforms that consisted mostly of setting up enterprise management responsibility systems. The cotton and hemp corporations combine two functions in a single entity. They are government administrative units, i.e., they have to enforce the cotton procurement, allocation, and supply policies that the government assigns them; and they are economic entities too, themselves engaging in commercial activities. Therefore, when the government assigns them monopoly cotton procurement, they find it difficult to limit actions that favor their own interests.

Monopoly is bound to result in unfair trading. Even though the government has announced procurement prices for different cotton grades, when the cotton and hemp corporations purchase raw cotton, the examination and acceptance of grades is difficult to control. Both the setting of grades and payment are the responsibility of the cotton ginning companies. There are no independent social justice inspection and supervisory organizations. When the supply of cotton exceeds demand, the cotton and hemp corporations force down the grade and the price, thereby hurting the interests of the cotton growing peasants. Between 1983 and 1985, this was the situation in every cotton growing area. When allocating cotton, the cotton and hemp corporations sell cotton to textile units at the government-set price. Survey shows that in 1987 a textile mill in Jiangsu Province paid 186.66 yuan per dan of ginned cotton. The cotton procurement price that year was 149.56 yuan per dan. Thus, the cotton and hemp corporation made a 31.30 yuan profit on each dan. During that same year, it cost the peasants 131.07 yuan per dan to grow cotton, their net profit being only 18.49 yuan per dan. Such a distribution mechanism has an extremely adverse effect on the expansion of cotton production.

To summarize the foregoing, fluctuations in China's cotton output since reform and opening to the outside world have been affected by government price policy, and have been closely associated with both cotton growing peasant production costs and the ratio between grain and cotton prices. However, the most important factor has been the limitations resulting from sluggish reform of the cotton procurement and marketing system. The ultimate goal in solving the country's cotton problems is to achieve balance between supply and

demand, i.e., equality between the amount of cotton that the peasants are willing to provide and the amount that groups and individuals throughout society are willing to buy. This goal can be realized only by setting the cotton procurement price on the basis of the equilibrium price. Under the prevailing cotton procurement and marketing system, the state designated independent cotton dealers, the cotton and hemp corporations, are neither producers nor consumers. They are only dealers in cotton at state set cotton procurement, allocation, and supply prices, while those who really account for supply and demand — the cotton growing peasants, and textile mills and other units have no way to influence prices. Consequently, cotton price signals are frequently distorted. When the procurement price is higher than the equilibrium price, cotton output may skyrocket (a rare circumstance) to the point that the government cannot bear the subsidy costs, and is ultimately forced to open up the market. This results in the peasants themselves carrying the risk of a cotton glut. When the cotton procurement price is lower than the equilibrium price, the peasants lose interest in growing cotton. This causes gyrations in cotton production. Therefore, the basic way to solve cotton supply and demand problems is thorough reform of the existing cotton distribution system.

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East Region

PRC: Anhui 1995 Economic, Social Development Bulletin

OW1302100296 Hefei ANHUI RIBAO in Chinese
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["Statistical Bulletin Issued by the Anhui Provincial Statistical Bureau on Economic and Social Development in 1995" — ANHUI RIBAO headline. The following is a fuller version of the article titled "Anhui 1995 Economic, Social Development Bulletin" published in the 13 February China DAILY REPORT on pages 46-50, adding the text from the second paragraph of Section VI through Section IX.]

[FBIS Translated Text] The last year of the Eighth Five-Year Plan was 1995. In the past year, under the leadership of the provincial party committee and the provincial government, all the people across Anhui conscientiously implemented the guidelines of the Fourth and Fifth Plenary Sessions of the 14th CPC Central Committee and the Sixth Anhui Provincial Party Congress. Positive successes were achieved in carrying out macroeconomic regulation and control; overall economic operations showed a rapid growth tendency amid steady operations; the people's living standards improved noticeably; various social undertakings developed further; and comprehensive economic strength showed marked improvement. All the main targets set by the Eighth Five-Year Plan formulated by the provincial government were attained. They laid a solid foundation for Anhui to promote economic development to a new level in the period of the Ninth Five-Year Plan. According to a preliminary calculation, Anhui's gross domestic product (GDP) was estimated to increase 16 percent from the previous year to reach 205 billion yuan in 1995, posting an economic growth rate of 15 percent and more for four years in a row and placing Anhui in the front rank of all the provinces, municipalities, and regions in China in terms of economic growth. Tertiary industry churned out an added value of 48.2 billion yuan, or 23.5 percent of the GDP figure, up 9.5 percent from the previous year. Major problems in economic operations still exist: the agricultural base is still relatively weak; enterprises' economic returns remain to be further improved; and so forth.

I. Agriculture

In 1995, governments at all levels in Anhui attached great importance to agricultural production; they placed development of agricultural production as well as rural economy at the top of the agenda and increased input into the agricultural sector; the agricultural sector reaped a bumper harvest even though areas along the Chang Jiang were flooded and the areas between Chang Jiang

and Huai He afflicted by drought; Anhui enjoyed the best agricultural development in more than a decade. For the whole year, agriculture, forestry, animal husbandry, and fisheries churned out an estimated added value of 54.3 billion yuan, posting an increase of 13.5 percent over the previous year and accounting for 26.5 percent of the GDP, making 1995 the year in which Anhui enjoyed the most rapid normal economic growth rate in more than a decade.

Production of major agricultural products, such as grain, cotton, oil crops, meat, and aquatic products, set record highs. Output of grain, cotton, and oil crops for the whole year totaled 26,527,000 tonnes, 300,000 tonnes, and 1,918,000 tonnes respectively, posting increases of 12.3 percent, 16.2 percent, and 24.1 percent respectively over the previous year. Worth mentioning here is the fact that both Anhui's agricultural production and the net increase in the output of oil crops and aquatic products set record highs in 1995. The bumper harvest of all agricultural products expedited comprehensive development of the rural economy; provided urban and rural markets with ample commodities; helped peasants increase income; and played an active role in checking price hikes and maintaining sustained, rapid, and steady national economic development [bao chi guo min jing ji chi xu kuai su wen ding fa zhan 0202 2170 0948 3046 4842 3444 2170 4958 1816 6643 4489 1353 4099 1455].

Output of major agricultural products:

	1995	Increase or decrease from previous year
	tonnes	percent
grain	26,527,000	12.3
cotton	300,000	16.2
oil crops	1,918,000	24.1
rapeseed among oil crops	1,416,000	35.9
silkworm cocoon	43,000	3.7
tea	40,000	17.9
fruits	530,000	22.2

Major animal husbandry products, their output, and amount of livestock on hand are as follows:

	1995	percent increase from previous year
total meat output	1,900,000 tonnes	9.8
pork, beef, and mutton	1,600,000 tonnes	13.2
among total meat output		
milk	27,000 tonnes	8.0
number of butchered pigs	15,116,000 heads	6.3
number of pigs at year-end	15,156,000 heads	2.5
number of lambs at year-end	5,696,000 heads	22.4
number of big livestock at year-end	7,077,000 heads	10.1

Fishery production continued to maintain a good momentum of rapid development. As of the end of 1995, Anhui's aquatic farm area had increased 36,800 hectares from the previous year to reach 496,800 hectares. Total output of aquatic products increased 50 percent from the previous year to reach 750,000 tonnes for the whole year.

Conditions for agricultural production were further improved. At the end of 1995, Anhui's total power of farm machinery reached 18.525 million kilowatts [KW], up 10 percent from the same period of last year; there were 881,000 small hand tractors and 33,000 trucks, up 11.7 percent and 6.4 percent respectively from the same period of last year; total power of irrigation machinery reached 3,909,000 KW, up 5.9 percent from the same period of last year; and the total quantity of chemical fertilizers applied in the whole year reached 2.01 million tonnes (converted to net quantity), up 6 percent from the previous year. Construction of more water conservancy works was carried out on farmland and the effectively irrigated area continued to expand.

In 1995, Anhui continued to enjoy comprehensive development of the rural economy; the output value of village and town enterprises maintained rapid growth; and the proportions captured by such nonagricultural sectors as industry, building trades, transportation and commerce, and catering trade in the rural economy further increased.

II. Industry and Building Trade

In 1995, Anhui continued to intensify reform of enterprises, vigorously readjust industrial structure and product mix, and increase input into enterprises' technical transformation projects. Under the appropriately tightened financial and monetary policies, industrial production continued to maintain a momentum of relatively rapid growth amid a steady decrease in growth rate. In the whole year, the industrial sector churned out an added value of 94.9 billion yuan, posting a growth rate of 21.2 percent from the previous year and accounting for 46.3 percent of the GDP.

Output of most major industrial products enjoyed growth to varying degrees. More than 80 percent of industrial products met the requirements of the "Eighth Five-Year" Plan.

	1995	increase or decrease from previous year
		percent
yarn	226,500 tonnes	6.0
cloth	755,000,000 meters	-9.4
machine-made paper and cardboard	819,500 tonnes	37.6
cigarette	1,938,400 cartons	2.4
synthetic detergent	143,600 tonnes	3.9
TV set	737,500 sets	-24.0
household refrigerator	1,502,100 sets	23.7
household washing machine	1,247,100 sets	50.1
raw coal	43,198,500 tonnes	6.6
electric energy production	30,527,000,000 KW-hour	2.3
steel	3,221,300 tonnes	3.6
steel products (finished products)	2,579,400 tonnes	-5.8
10 nonferrous metals	108,800 tonnes	12.5
cement	19,767,300 tonnes	20.5
sulphuric acid	1,285,900 tonnes	14.0
soda ash	88,900 tonnes	2.4

	1995	Increase or decrease from previous year
chemical fertilizers (converted to net quantity)	1,454,200 tonnes	-25.8
chemical pesticide	8,272.70 tonnes	46.4
metal cutting machine tool	5,934 units	-6.3
automobile	30,179 cars	-19.1

In 1995, the composite index of economic returns of industrial enterprises subject to independent accounting was 86.75. That figure includes sales of industrial products, 94.19 percent; rate of profits and taxes yielded by funds, 9.48 percent; cost-profit ratio, 2.25 percent; circulating funds turnover, 1.72; industrial added value rate, 28.69 percent; and all-personnel labor productivity (calculated on the basis of added value) 11,546 yuan per person. However, some enterprises still suffered relatively serious losses. The level of overall economic return of industrial enterprises remains to be further improved.

The building trade developed rapidly. In 1995, along with deepening of reform in the building trade, construction enterprises continued to expand operations. The value added of construction was 7.6 billion yuan for the year, topping the previous year by 10 percent and accounting for 3.7 percent of the province's gross domestic product. The total floor space of buildings under construction by state-owned enterprises was 3.818 million square meters, up 20.6 percent; and construction quality also improved.

Progress was achieved in geological prospecting. The geological surveying department completed a total of 69,000 meters of machine drilling and 5,792 square km of regional surveys drawn on a scale of 1:5,000. Increased reserves of three minerals were verified. Work in terms of 400 million yuan was completed in 1995, up 20 percent, and the value added was 130 million yuan.

III. Investment in Fixed Assets

In 1995, investment continued to grow on an appropriate scale, and investment structure improved. Total investment in fixed assets in Anhui was 46.597 billion yuan (excluding investments in real estate and housing development), increasing by 23.8 percent over the previous year. Of this total, investment by state-owned units was 27.35 billion yuan, up 26.2 percent. The investment structure was rationalized. Investment in capital construction was 16.65 billion yuan, up 25.6 percent. In-

vestment in technical innovations and transformations, unlike the stagnation witnessed in the previous year, increased rapidly, with a total of 9.42 billion yuan, or 27.6 percent more than 1994, invested; and the growth rate was 11 percent more than the previous year and 2 percent more than the growth of investment in capital construction during the same year.

Investment in key construction projects increased at a faster pace. In 1995, Anhui's investment was concentrated on agricultural and forestry irrigation facilities, energy, raw and semi-finished materials, and other basic industries. Key capital construction projects listed in the state and provincial plans numbered 30, with a total of 7.48 billion yuan investment, or 20.6 percent more than 1994. A large number of infrastructure projects and technical innovation and transformation projects were completed or nearly completed. The main ones include the following: the 326-km Hejiu railway; 97-km double tracking of the Fuhuai Railway; 112-km double tracking of the Shangfu Railway; the 56-km Fujii Railway; the Fuyang communications center; the new Hefei bus terminal; the Anqing vinyl cyanide/acrylic fibers project (vinyl cyanide 50,000 tonnes and acrylic fibers 50,000 tonnes); the Tongling Chang Jiang Bridge; the Yuan Building; the Anhui University administrative building; Maanshan No. 2 Power Plant's 300,000-kw generating unit; and Xiangshan Pyrite's 1.8 million tonne annual mining capacity. In addition, the following were basically completed or put into operation: the Taoyuan coal mine's 900,000 tonne annual mining capacity; the Renlou coal mine's 1.5 million tonne annual mining capacity; the Xiaqiao coal mine's 4 million tonne annual mining capacity; the Dalong section of National Highway 312; first-stage construction of the Hefei-Chaohu-Wuhu highway; and the Suxian synthetic detergent plant's 30,000 tonne alcohol project. These projects further improved the investment environment and built up stamina for further economic development, laying a solid foundation for comprehensive implementation of the Ninth Five-Year Plan.

IV. Transport, Posts and Telecommunications

Communications and transportation continued to grow, with new headway in posts and telecommunications. The value added of the sector in 1995 was 9 billion yuan, 8.5 percent more than the previous year.

	1995	percentage increase over 1994
Volume of freight transport	20.93 billion tonnes-km	26.4
Including:		

	1995	percentage increase over 1994
Highways	6.02 billion tonnes-km	4.4
Waterways	14.91 billion tonnes-km	33.7
Volume of passenger transport	8.83 billion person/ km	-16.2
Including:		
Highways	8.78 billion person/ km	-16.2
Waterways	0.05 billion person/ km	0

Total business transactions of post and telecommunications services in 1995 amounted to 2.261 billion yuan, or 45.3 percent more than the previous year. Of this total, transactions of central state-run businesses were 2.067 billion yuan, up 43.3 percent; and those of local state-run businesses were 0.194 billion yuan, up 71.3 percent. The volume of international services and services to Hong Kong and Macao totaled 88.34 million yuan, and the volume of transactions in special and express delivery, radio paging, and cellular telephones increased 67.9 percent, 93.3 percent, and 165 percent respectively. Long-distance and private telephone service developed rapidly. By the end of 1995, there was a total of 1,029,600 telephones in urban areas and 210,800 telephones in rural areas, up 42.8 percent and 94 percent from the same period of 1994.

V. Domestic Trade and Market Prices

In 1995, the provincial market basically overcame stagnation and underwent a noticeable change. The supply of commodities was ample, and the retail market thrived. The total value added of commerce and food catering was 14.4 billion yuan, an increase of 13 percent over the previous year; total retail sales of consumer goods was 60 billion yuan, up 32.3 percent from 1994, and the real growth was 17.4 percent after deducting price hikes. Of this total, sales in cities reached 28.69 billion yuan, up 35.7 percent; and in counties and localities below the county level were 13.73 billion yuan and 17.54 billion yuan respectively, growing by 35.2 percent and 25 percent.

Retail sales grew in all economic sectors. The volume of retail sales by state-owned units, collective units, and individual units increased 32.7 percent, 28 percent, and 29.9 percent respectively; and the volume of sales by farmers to non-agricultural residents grew 41.5 percent. In food sales, grain increased 2.1 percent; edible veg-

etable oils, 4.2 percent; and eggs, 13.7 percent. In clothing sales, the volume of garments rose by 2.4 percent. In sales of commodities for daily use, the number of color TV sets increased 26.1 percent; refrigerators, 29 percent; washing machines, 26.8 percent; and household air conditioners and ventilation fans, by wide margins.

In 1995, Anhui saw big changes in its circulation system and structure, and supply and demand in the market for production means basically remained balanced. Despite increasingly fierce competition in the materials market, the market for production means was stable. Material supply departments throughout the province bought a total of 13.32 billion yuan worth materials, an increase of 7.3 percent from 1994, and sold materials of various kinds worth 14.29 billion yuan, up 5.8 percent.

Last year, the state regarded curbing inflation as the most important task of macroeconomic regulation and control. Anhui conscientiously implemented the relevant state principles and policies and adopted effective and feasible measures to control inflation, thereby bringing about marked changes in the price situation: First, the margin of price increases generally decreased each month; second, the provincial government's price control targets were successfully fulfilled; and third, the margin of price increases was lower than the national average. In 1995, retail prices increased 12.7 percent, or 10.6 percentage points less than in 1994. Prices of grains and vegetables, which are closely related to the people's livelihood, were brought under control initially.

Increase in prices in 1995 over 1994 (percentage)

1. Consumer prices	14.8
Including:	
Cities and towns	15.9
Rural areas	13.7 2.
Retail prices of commodities	12.7
Including:	
Food	20.8
Clothes, shoes, and hats	14.7
Chinese and Western medicine	9.7
Books, newspapers, and magazines	15.6
Articles for daily use	7.8
Jewelry	-0.7

1. Consumer prices	14.8
Construction and decoration materials	8.8
Drinks, cigarettes, and liquor	5.7
Textile products	14.4
Cosmetics	9.0
Cultural and sports goods	8.5
Household electric appliances	1.4
Fuels	6.3
Machinery and electric products	-1.2
3. Purchase price of energy and raw materials	17.9
4. Factory prices of manufactured goods	17.1
5. Purchase price of farm and sideline products	19.0

VI. Foreign Economic Relations

In 1995, foreign trade and economic relations departments at all levels in Anhui actively implemented the provincial party committee and government's strategy for promoting an export-oriented economy and adopted various measures to increase foreign trade export, thereby increasing the total volume of exports and imports. The two-way trade volume reached \$2.31 billion, an increase of 24.8 percent from the previous year. Of this, the volume of exports was \$1.58 billion, up 23.6 percent; and imports, \$0.730 billion, up 27.6 percent. The export product mix was further improved, with the ratio of primary products to manufactured goods dropping to 17:83 from 22:78 in 1994. Exports by Sino-foreign joint ventures, Sino-foreign joint cooperative ventures, and solely foreign-funded enterprises increased by a big margin, with the total volume of exports reaching \$180 million, up 43.4 percent and their portion in the total volume of exports rising to 11.4 percent from 9.8 percent in 1994. Exports of technology-intensive and high value-added products increased rapidly.

In 1995, Anhui Province stepped up the effort to attract and absorb investment and scored great successes in utilizing foreign investment. The province had \$480 million in direct foreign investment, up 29.7 percent from the previous year, and approved 753 new foreign-invested enterprises, 126 more than in the previous year.

In 1995, in the tourism industry, the province overcame various unfavorable factors, seized opportunities, accelerated development, and thus registered a record high in total revenue. The industry had a total income of 1.21 billion yuan throughout the year, up 26.1 percent from 1994. The industry earned \$44.359 million in foreign exchange, up 78.8 percent from 1994, and received 17,967 million domestic and foreign visitors/journeys [ren ci 0086 2945], up 27.3 percent, including 143,000 foreign visitors/journeys and 222,000 foreign visitors/days [ren tian 0086 1131], up 25.1 percent and 25.4 percent respectively from 1994. In 1995, the province's total volume of new contracts on undertaking foreign projects and labor cooperation was \$16.89 million, with completed transactions amounting to \$36.21 million.

VII. Finance and Insurance

In 1995, financial departments in the province conscientiously implemented the central authorities' moderately tight monetary policy, with the stress on flexibility, actively readjusted the credit structure, strengthened fund scheduling, and improved the utilization of funds; thus the financial situation was basically normal.

At the end of 1995, the balance on deposits held by banks and credit cooperatives throughout the province was 100.317 billion yuan, up 24.922 billion yuan from the same period last year, of which the balance of saving deposits by the urban population was 49.644 billion yuan, up 14.543 billion yuan and that of saving deposits by the rural population was 17.151 billion yuan, up 4.402 billion yuan. The balance of loans granted by banks and credit cooperatives was 125.611 billion, up 26.451 billion from the corresponding period last year.

A relatively big expansion was achieved in the insurance industry. In 1995, life insurance departments across the province accepted insurance of various domestic properties worth 116 billion yuan in total. In the province 13,687 enterprises and units were covered by property insurance; 3.87 million households of residents in cities and towns were covered by family property insurance; and 11.37 million individuals had various kinds of personal insurance. The province's income from insurance premiums from home and abroad totaled 1.44 billion yuan, up 18 percent from the previous year. Thus, the annual plan was overfulfilled. Insurance indemnities covered by domestic and foreign services in 1995 amounted to 830 million yuan. Hence, the industry made contributions to ensuring healthy development of the national economy and stability of social order.

VIII. Science, Education, Culture, Public Health, and Sports

Science and technology continued to develop, and the contingent of scientific and technological personnel kept on growing. At the end of 1995, the province had 810,000 technological personnel of various professions and types, 198 state-owned independent research and development institutions at the county level and above, 125 scientific research institutions run by colleges and universities, and some 430 scientific institutions run by large and medium-sized industrial enterprises. A total of 82,500 persons were engaged in scientific and technological activities, of whom 47,500 were scientists and engineers. The province had 2,080 people-run science and technology enterprises, with an employment body of 22,800 workers and staff members, of whom 11,400 were mid-level scientific and technological personnel.

Very rich achievements were scored in science and technology. In 1995, 686 major scientific research achievements at the provincial and ministerial levels and above were made. They were mainly the ZDB, HDB [preceding acronym in Roman script — expansion unknown] serial axial- and mixed-flow underwater electric pump; the high-tenacity and high-modulus polyethylene and its production line; clinical research of radiotherapy on portal hypertension disease; and the seed selection and application research of the newly combined and improved variety 78039 of high-output, high-quality, and high-resistance hybrid long-grained nonglutinous rice. The provincial natural science foundation spent 22.2 million yuan in funding 100 science projects, including two key state laboratories, three laboratories under State Council departments, and three provincial-level pilot (zhong shi 0022 6107) bases. The province launched nine industrial experimental projects at the provincial level and above throughout the year.

Continuous improvement has been made in science and technology work. In 1995, Anhui had 108 product quality monitoring and inspection organs, of which 37 were at the provincial level. The province handled 1,000 patent application submissions, with 555 applications approved. Meteorological departments joined the public data exchange network CHINAPAC [preceding acronym in Roman script — expansion unknown], thus forming a computer network among prefectures, cities, and some counties in the province. The provincial meteorological observatory and 10 meteorological departments at the prefectural, city, and county levels launched television weather broadcasting programs. The technology market was increasingly brisk. Across the province, 1,606 technology contracts of various types worth 218.526 million yuan were signed, of which

the technology involved in the 1,033 contracts worth 111.606 million yuan was applied in the province.

New advances have been made in educational undertakings of all types. In 1995, the province enrolled 1,051 graduate students, of which 954 were enrolled by higher learning institutions; 2,828 studying graduate students, of whom 2,569 were at school, 364 students more than at the end of the previous year. Ordinary higher learning institutions enrolled 29,000 students for regular and special college courses, with an enrollment body of 88,000 students. Secondary professional education kept on developing. A total of 568,000 students were studying in secondary professional schools of various types, an increase of 105,000 students over the previous year. Among them, 121,000 students were studying in technical secondary schools, an increase of 11,000 students; 204,000 students and 147,000 students were studying in vocational junior and senior middle schools, an increase of 61,000 students and 30,000 students respectively; and 96,000 students were studying in technical schools, an increase of 3,000 students. In ordinary middle schools, 289,000 students were studying in senior middle schools. Mandatory education was popularized steadily. Ordinary junior middle schools had 2.526 million students at school and primary schools had 6.069 million pupils at school. The rate of school-age children going to primary school was 99.69 percent and the proportion of primary school pupils entering schools of a higher grade was 98.8 percent, 7.4 percentage points more than the previous year.

Adult education of various types has continued to develop, and technical training of various forms has developed vigorously. In 1995, higher learning institutions for adults enrolled 13,000 students for regular and special college courses, with 37,000 students at school; adult middle schools turned out 19,000 graduates; 942,000 students were studying in adult middle and primary schools; adult technical training schools trained 2.272 million students; and 843,000 people became literate.

Cultural undertakings have become increasingly prosperous. At the end of 1995, the province had 92 performing art troupes, 99 cultural centers, 83 public libraries, 30 museums, and 4.114 million copies of files kept in archives, which occupied a floor space of 114,000 square meters. At the end of 1995, the province had 69 radio broadcasting stations and 23 medium-wave broadcasting and relay stations, 45 television stations and 816 television broadcasting and relay stations, 34 more than the previous year. Radio and television broadcasting reached 82.5 percent and 79 percent of the population respectively.

At the end of 1995, the province had 123 varieties of magazines, with an impression of 32.138 copies; 52 newspapers, with an impression of 475.67 million copies; 2,036 varieties of books, of which 1,100 are new books.

Public health has continued to develop, and medical conditions have further improved. At the end of 1995, the province had 109,500 hospital beds, up 1.4 percent from the previous year and 151,000 professional health personnel, up 1.8 percent, of whom 67,000 were doctors, up 3.1 percent and 36,000 were nurses, up 2.7 percent.

New advances have been made in physical culture. In 1995, in major international domestic competitions, the province's athletes won 29 gold, 21 silver, and 25 bronze medals. The province had 48 grade-1 athletes and 122 grade-1 referees.

The development of surveying and mapping has proved a powerful surveying and mapping guarantee to the departments of urban planning and development, agriculture, water conservancy, communications, energy industry, and land. In 1995, production units under the provincial bureau of surveying and mapping completed a work load of 63,189 work days and created 4.144 million yuan in surveying and mapping value, constituting 111.2 percent and 134.9 percent of the planned targets. The completed surveying and mapping projects were mainly 1,242 field operation control topographic maps of various scales; 1,033 adjustable maps; air data for 12 big and medium-sized cities in the province; covering an area of 7,090 square kilometers; and 972 ground control centers.

IX. Population and Standard of Living

The population growth rate was brought under control. According to a sample census, in 1995, the province's birthrate was 16.07 per thousand, down 0.63 permillage points from the previous year; the death rate was 6.41 per thousand, down 0.45 permillage points; and its resulting natural growth rate was 9.66 per thousand, down 0.18 permillage points. Calculated on this basis, the province had a permanent population of 60.13 million people at the end of 1995.

The income of the urban and rural population increased by a wide margin. According to sample surveys, in 1995, the per-capita average income for living expenses of residents in cities and towns was 3,406 yuan, up 23.1 percent from the previous year or up 6.2 percent after price rises were factored in; and the per capita average net income of the peasants was 1,302.9 yuan, up 33.9 percent or up 9.8 percent after price rises were factored in.

New successes were made in various reforms in the labor field, and a labor employment service system was taking shape gradually. In 1995, the province had 104 job service institutions in the labor departments at the county level and above and 1,400 job service institutions at the township and town levels. In 1995, 140,000 people in cities and towns were given new jobs. The labor contract system made relatively good progress, and more and more people were covered by the overall social insurance pension scheme. A total of 2.059 million employees participated in the overall scheme, which was being introduced to society as a whole. At year end, the province had 5.005 million employees and 902,000 people working in private enterprises in cities and towns and self-employed people.

Wage levels of workers and staff increased further. In 1995, total wages paid to workers and staff was 21.63 billion yuan, up 17.3 percent from the previous year, averaging 4,393 yuan per employee, up 15.8 percent.

Urban and rural living conditions further improved. A total of 42.628 million square meters of new buildings were completed in urban and rural areas in 1995; of which the newly completed buildings in urban areas measured 7.95 million square meters, and those in rural areas measured 34.678 million square meters.

Social welfare work continued to develop. In 1995, there were 56,000 beds in social welfare institutions of various types in the province, with 46,000 clients. Some 1.481 million people in need in urban and rural areas received relief aid. A social security system was established in 20.8 percent of townships and towns. In the year there was a quite rapid development of city (town) community service networks, with 8,886 community service facilities established, of which 262 were community service centers.

Environmental protection developed at an accelerated pace. At the end of 1995, environmental protection departments in the province had 2,376 employees, 80 environmental monitoring centers of various types, and 10 natural preservation areas. They completed 76 environmental improvement projects requiring a total investment of 131.016 million yuan. By the end of 1995, 16 cities had established 57 smoke/dust control areas covering an area of 311.2 square kilometers, and 12 cities had established 31 noise pollution improvement areas, covering an area of 96.7 square kilometers.

PRC: Shandong Plans for Inflation Control Outlined*SK1502055396 Jinan DAZHONG RIBAO in Chinese 9 Jan 96 p 7*

[Article by Lin Shuxiang, assistant to governor of the Shandong Provincial government and chairman of the provincial planning committee and Pang Shiyi, director of the provincial price bureau: "Shandong's Ideas and Countermeasures for Controlling Inflation in the 'Ninth Five-Year Plan' Period" — no date given]

[FBIS Translated Text] The fifth plenary session of the 14th party Central Committee defined the control over inflation as the primary task in the Ninth Five-Year Plan period. With a focus on increasing effective supply, we must accelerate the pace of realizing two fundamental changes — the economic system and the economic growth model; pay attention to three key links — enhancement of agriculture's role as the foundation of the national economy, optimization of the industrial structure, and setup and improvement of a mechanism to regulate the investment in fixed assets; implement four macrocontrol measures; and ensure the realization of the province's price control target for the Ninth Five-Year Plan period.

1. Analysis of the Covert Factors Causing Price Hikes in the Ninth Five-Year Plan Period

In the Ninth Five-Year Plan period, our province will take on an extremely arduous task for controlling inflation and face extremely huge pressures caused by price hikes. The major factors causing price hikes are as follows:

A. The economic growth rate. The faster economic growth rate often leads to a further expansion of social demands, damages the balance between total supply and total demand, and causes inflation. Particularly, our province is now still relying on a fast speed to increase its economic efficiency. The rapid economic growth rate can produce three impacts on goods prices. 1) The fast economic growth rate breaks the balance between various sectors of the economy, thus creating an imbalance in structures. Shortage of raw materials and energy resources, inflation, and rises in the prices of consumer goods are major manifestations. 2) Increasing investment and seeking fast speed lead to an expansion of the investment in fixed assets, and an increase in consumption funds and bring about inflation. 3) In order to accelerate the pace of economic development, all localities often pay more attention to industry to the neglect of agriculture, thus resulting in an insufficient supply of farm products and inflation.

B. Influence by investment in fixed assets. In the Ninth Five-Year Plan period, our province will still have much demand for investment. After balancing supply and the demand, the province has determined that investment in fixed assets is to be increased by 15 percent annually in the Ninth Five-Year Plan period. This figure is much lower than that of the Eighth Five-Year Plan period. We must go through a longer process in order to realize the two fundamental changes as defined at the fifth plenary session. It is also impossible to set up and improve within a short period of time a mechanism that restricts the investors by having them take risks. So, contradictions due to decentralized investment and unreasonable investment structure are still extremely prominent. It is also difficult to create a favorable input-and-output cycle. So, we must not underestimate the influence over inflation caused by the investment in fixed assets.

C. Price reform. Since the implementation of the reform and open policy, price reform has been a key factor causing inflation. Although our province has decontrolled the prices of most consumer goods and capital goods, the items whose prices have not been decontrolled yet mainly center on products greatly related to the people's livelihood as well as the labor-related products. Meanwhile, some contradictions in market prices and goods prices which have accumulated over the past years will surface in succession during the Ninth Five-Year Plan period. Therefore, the reform and readjustment of prices in this period will still be a key factor to inflation.

D. Prices of agricultural and sideline products. During the Ninth Five-Year Plan period, the province's short supply of agricultural and sideline products will not change greatly. First, the agricultural labor productivity will be low, investment in agriculture will be insufficient, and the increase in the absolute amount of agricultural and sideline products will be much restricted. Second, the population will increase continuously, cultivated land will shrink each year, and the situation in which the province's cultivated land per capita is lower than the average national level will become even more conspicuous. Third, the comparative profit of agriculture will be low, and the peasants' initiative in growing grain and cotton will be not high. Fourth, along with the improvement in people's living standards and the change in dietary structure, the total demand for agricultural and sideline products will increase, and the gap between supply and demand will become even more serious.

E. Wage reform. In addition to the development of the economy, the reform of labor and wage systems, and the popularization of the public servant system, the income

of urban and rural residents in the province will increase by a relatively large margin during the Ninth Five-Year Plan period. The impact produced by wage increase on inflation can be primarily manifested in two aspects: 1) The increase in the cost of products will directly bring about inflation; and 2) wage increase will be partly transferred to the demands of consumer goods, thus increasing social purchases and expediting inflation.

2. Major Idea on Curbing Inflation During the Ninth Five-Year Plan Period

In line with the guidelines of the province's Ninth Five-Year Plan and the 2010 Long-Term Target, based on the practical foundation and future trends of Shandong's economic development, the province's general idea on preventing and curbing inflation is: Regarding the curb of inflation as the top task for macroeconomic control, we should try our best to maintain a reasonable growth rate, avoid sharp rise and fall, make economic development more stable and orderly, follow the path of low inflation, high efficiency, and sustainable development, and actually change economic growth pattern, changing from mainly depending on increased investment to mainly depending on science and technology and changing from seeking high speed and quantity to carrying out intensive management and improving quality and efficiency, with a view to comprehensively improving the overall quality of the provincial economy.

Curbing inflation is a long-term and arduous task. In terms of macroeconomic control, it is necessary to pay attention to the following three key links:

A. We should intensify agriculture as a foundation and increase the effective supply of agricultural and sideline products. During the Ninth Five-Year Plan period, by aiming at increasing the effective supply of agricultural and sideline products, improving the comprehensive efficiency of agriculture, and increasing peasants' income by a large margin, we should energetically renovate and develop the rural economy, transform the traditional forms of agricultural production and management, optimize the internal structure of agriculture, positively promote the specialization and industrialization of rural economy, develop good-quality and high-efficient agriculture, vigorously initiate secondary and tertiary industries, realize modernization of agriculture, make urban and rural areas an organic whole, and raise the level of urbanization of rural areas.

B. We should accelerate the rational flows of essential production factors and promote the optimization and upgrading of economic structure. During the Ninth Five-Year Plan period, we should define the major orientation for upgrading industrial structure, by focusing on comprehensively improving economic quality and the over-

all efficiency of the distribution of natural resources, on the basis of strengthening management, and in line with the respective characteristics of production and technology of different industries.

First is to increase the economic scale and market shares of industries that are markedly efficient in the scaled economy, such as petrochemicals, machinery, electronics, power, building materials, and iron and steel industries, with a focus on the existing large enterprises. Second is to establish a specialized and mass production system in industries whose products are made of a large number of components so as to promote cooperation and rational division of work. Third is to renovate or expand the existing enterprises engaged in ordinary raw material production and ordinary processing in order to upgrade their technological level and production capacity. No such new enterprises should be built in principle.

C. We should deepen the reform of the money-lending system and establish and improve the macro-control mechanism for fixed asset investment. In compliance with the requirement for establishing the socialist market economy system, we should carry out the following major work in the future reform of the money-lending and investment systems.

First is to actively promote the legal person investment responsibility system and clarify the major responsibility holders. Based on the nature and characters of the different trades of the economy, construction projects will be divided into three categories in the future as competitive projects, basic projects, and welfare projects. For the competitive projects, enterprises will be the major investors. Money-lending and investment activities will be carried out through the market, and enterprises will build and manage these projects with the funds raised through the market. The government will gradually withdraw from these projects. When investing in and building projects, enterprises should actively carry out the legal person investment responsibility system and major investment responsibility holders should first be clarified. The legal persons should be designated before construction begins, and they should hold the responsibility for the entire process from planning and fund-raising for projects to personnel appointments and removals, bid invitation and determination, construction, and even production, management, debt repayment, and preservation and appreciation of assets. They are entitled to full autonomy according to relevant regulations of the state.

Second is to apply the capital fund system to the construction projects. The capital fund for the invested projects refers to the fund paid by the various investors of the projects, and it accounts for a fixed percentage

of the total investment and is not a debt of the legal persons of the projects. In future, before deciding on a project, the initiator of the project should write and submit a letter of suggestion and a feasibility study report that includes the capital fund. When the capital fund is not paid according to regulations, industrial and commercial departments will not permit the registration of the project, banking departments will not grant loans, and investment planning and management departments will not issue the construction license even when the feasibility study report is approved.

Third is to establish the system of responsibility for investment decisions. An important purpose of establishing a mechanism of restriction for the investment risks is to fix the responsibility for the investment decisions, and those who make decisions should hold the responsibility for the investment decisions. In other words, "those who invest hold the responsibility."

Fourth is to add impetus to the restructuring of the investment pattern. In new conditions in which investors are diversified and investment enters through multiple channels, we should strengthen the guidance, standardization, and supervision of where various investments are used. Meanwhile, we should pool necessary financial resources, including those from finance and banking departments, to adjust the structure. Necessary delimitation of the scale of investment from various major investors should be conducted, and numerous effective measures should be adopted to guide funds raised from the public to be used more in the key projects of agriculture, basic industries, infrastructure, and pillar industries. We should encourage and guide enterprises to use their investment more in technical transformation in order to expedite their technological advance.

3. Implement the Four Regulating and Control Measures

Judging from the current situation, microeconomic measures for controlling inflation include the following four aspects:

A. We should control the inordinately large increase in the consumption funds. In the coming 15 years, two basic characters will emerge in Shandong's economic development. One is the sustained high growth rate, and the other is the emergence of more basic and capital-intensive industries and more updated new products as our economic development is in the transition from low level to medium level. The Ninth Five-Year Plan period is a crucial period for laying a foundation and making preparations. To comply with this special feature, the policy for consumption fund increase should be properly adjusted to lay more emphasis on economic development and on the accumulation capacity for the

economy in a certain period, so as to ensure that the increase of consumption funds is lower than that of GNP. We should continue to encourage people to save money and turn their personal income into accumulated funds. We should encourage those who become well-off first to help those who fall behind and ultimately achieve common prosperity by regulating the excessively high income, banning the illegal income, and strictly collecting and managing personal income taxes.

B. We should adopt a moderately tight financial policy. First, we should restructure the expenditure by carrying out a tight budget. We should reduce administrative personnel to cut the state's administrative expenses. In the expenses for construction projects, we should increase the investment in such basic industries as agriculture and energy, transportation, and raw materials industries and greatly reduce the expenses for nonessential projects to ensure the state's key projects. Second, in the tax policies, we should manage taxes strictly according to law to ensure the steady growth in the revenue. Third, in the financial supervision, we should standardize the financial activities of enterprises and institutions and put expense on wages and institutional purchases under strict control. Fourth, in the financial policy guidance to the management of extra-budgetary funds, we should control the excessive increase of the extra-budgetary funds and standardize the use of funds.

C. We should establish a government regulating fund. We should establish across the board a system of price regulating fund in line with the principle of "reasonably raising funds, properly defining the scale, and effectively exercising control" and the idea of raising funds from various channels and making the scale of the funds compatible with their functions. As wheat is the major grain of Shandong and pork the major nonstaple food affecting the prices of nonstaple foods, we may define a reasonable scale of regulating funds for wheat and pork in line with the above-mentioned principle and take it as the scale of the regulating funds for all the farm and sideline products of Shandong. After this, through the current price compensation funds and price regulating funds listed in the financial plans, we should establish a government regulating fund as soon as possible by imposing fines on and confiscating funds from those who violate price policies and by raising funds from the public.

D. We should rectify the order of distribution. The focus of the price reform will be shifted according to the establishment of a new price macro-control system in the Ninth Five-Year Plan period. We should make concerted efforts to control production, distribution, management, and other links and then put the overall

price level under control by controlling and regulating the factors affecting the shaping of prices. The major work is to establish and improve the several major price control and regulating systems, including the administrative system, the system of standardization through the legal system, and the information guidance system.

North Region

PRC: Beijing Tightens Controls on Suburban Development

OW1402103296 Beijing ZHONGGUO XINWEN SHE
in English 0716 GMT 10 Feb 96

[FBIS Transcribed Text] Beijing, February 10 (CNS) — Beijing has decided to tighten controls on land development in its suburban areas.

As property development in downtown Beijing has almost reached saturation point and many property developers have begun to expand their business into suburban areas, the municipal authorities have decided to regulate business operation in this field.

According to Beijing's Urban and Rural Construction Commission, the government will monopolize the land market and transfer land use rights in these areas through public auctions.

Officials from the Commission explained that this policy aimed to develop, protect and regulate the property market in Beijing as well as promote efficiency of land use and conserve land resources.

The municipal government has mapped out a general package and singled out Huilongguan, Beiyuan, Wangjing, Dongba and Dingfuzhuang districts for trial implementation of its policy early this year.

A committee will soon be set up to take charge of infrastructure construction in these districts.

PRC: Beijing Secretary on Organizational Work

SK1402043396 Beijing BEIJING RIBAO in Chinese
19 Jan 96 p 1

[Report by reporters Ding Yatao (0002 0068 7290) and Song Hong (1345 4767)]

[FBIS Translated Text] The municipal organizational work conference was held on 18 January. The main subjects discussed at this conference were to implement the guidelines of the national organizational work forum; to arrange the 1996 organizational work according to General Secretary Jiang Zemin's important speech made during his inspection of Beijing and the guidelines of the seventh plenary session of the seventh municipal party committee; and to further implement the "decision"

of the fourth plenary session of the 14th party Central Committee and the outlines of the three-year plan for strengthening party building as put forward by the municipal party committee. Wei Jianxing, secretary of the municipal party committee, attended and addressed the conference.

Yang Chaoshi, Standing Committee member of the municipal party committee and director of the municipal organizational department, delivered a report entitled "Conscientiously Implement the Guidelines of the National Organizational Work Forum, Sum Up Experiences, Be Inspired With Enthusiasm, and Achieve the Organizational Work for 1996."

The conference pointed out: 1995 was the first year to mobilize party organizations at various levels throughout the municipality to conscientiously implement the "decision" of the fourth plenary session of the 14th party Central Committee and the outlines of the municipal party committee's three-year plan for strengthening party building. Under the leadership of the municipal party committee, party committees and organizational departments at various levels throughout the municipality conscientiously studied and grasped the guidelines of Comrade Jiang Zemin's important speeches as well as the central instructions on the work of Beijing Municipality; generally enhanced the awareness of strengthening party building; expanded the dynamics of grasping party building; more satisfactorily accomplished the 1995 organizational work as defined by the municipal party committee; further enhanced organizational construction; and provided forceful organizational guarantees for the municipality's reform, development, and stability.

Wei Jianxing said in his speech: This year, organizational departments should proceed from the municipality's actual conditions in order to conscientiously implement the ideology for guiding the organizational work; should make continuous efforts to implement the targets and demands covered in the outlines of the three-year plan for strengthening party building; should stress main points; should strengthen the ideological and political construction of leading bodies as well as the construction of grass-roots party organizations, particularly rural party organizations and the party organizations of state-owned enterprises; and should strive to elevate the municipality's organizational work to new heights.

Wei Jianxing pointed out: Organizational work should serve the implementation of the party's basic line and the accomplishment of the municipality's central task. Unswervingly serving the party's political line is one of the basic experiences in the party's organizational work and one of the fundamental principles governing

organizational work. The party's current organizational work should be submitted to and serve the party's basic line of "one center and two basic points." Thus, party organizational workers should provide a forceful organizational guarantee for implementing the basic line of the party. We should closely carry out organizational work in line with the municipality's work priorities, and should ensure their accomplishment. First, we should implement the guidelines of the fifth plenary session, promote the realization of the "two fundamental changes," and strive to smoothly achieve the strategic task of the Ninth Five-Year Plan and the long-term target for the year 2010. Second, we should ensure giving full scope to the capital's urban functions closely in line with a succession of important instructions on Beijing Municipality's work as set forth by the central authorities and by the guidelines of Comrade Jiang Zemin's important speech made during his inspection in Beijing. Third, we should closely attend to organizational work in line with the task of attaching more prominent importance to the construction of the spiritual civilization.

While talking about leading bodies' ideological and political construction and the building of grass-roots party organizations, Wei Jianxing pointed out: The task for party building is very heavy. We have a lot of work to do. Particularly this year, we should make new achievements in two aspects. First, we should vigorously strengthen leading bodies' ideological and political construction. Second, we should attend to the building of grass-roots party organizations, particularly rural party organizations and state-owned enterprises' party organizations. He said: To strengthen leading bodies' ideological and political construction, first of all, we should implement Comrade Jiang Zemin's requirements put forward during his inspection in Beijing; and stress study, politics, and a healthy atmosphere. We should educate leading cadres at various levels to integrate political steadfastness with ethical purity, to firmly foster the Marxist world outlook and the Marxist outlook on life and value, to enhance party spirit, and to ceaselessly upgrade their awareness of implementing the basic line of the party and their ability in resisting corruption and preventing peaceful evolution. This is a long-term task. He emphatically set the following four demands on leading cadres' ideological and political construction: First, persist in an accurate political orientation; second, enhance the awareness of observing the party's political discipline; third, persist in the ideological line of emancipating the mind and seeking truth from facts; and fourth, wage an arduous struggle and keep close contacts with the masses. We should rely on education and management to strengthen leading cadres' ideological and political construction. In line with the actual conditions of Beijing Municipality, we should define criteria and stan-

dards for leading cadres' behaviors so that the leading cadres should set strict demands on themselves according to the criteria and should consciously implement the party constitution and the party's systems and regulations. In the management of cadres, we should attach importance to examining leading cadres' performances during their term of office, expand the dynamics of exchanging cadres, and set up a system to report leading cadres' serious problems. We should persistently solicit public opinions in selecting cadres, and solicit opinions from discipline inspection commissions at the same levels in promoting cadres. Leading bodies' democratic activities should be further supervised and examined. While talking about the building of grass-roots party organizations, Wei Jianxing said: According to the central authority's notice on "concentrating time and energy on training rural grass-roots cadres and key party members," we should persist in the training of cadres to upgrade rural party-member cadres' quality, exert efforts to achieve the party work of state-owned enterprises, positively explore ways and methods for bringing into play enterprises' party organizations' role as the political core, and sum up some good experiences.

Wei Jianxing pointed out: Organizational departments should realistically strengthen the construction on their own and upgrade their cadres' political quality and ability in doing professional work. Organizational departments' cadres should enhance the awareness of reform, stress the party spirit, be honest and upright, reflect things as they really are, take the lead in being honest and well-disciplined, and handle affairs strictly according to the party principles.

Duan Bingren, standing committee member and secretary general of the provincial party committee, chaired the conference. Present at the conference were some municipal leaders, including Wang Tong, Qiang Wei, and Li Yongan; and persons in charge of the departments concerned under the organizational department of the CPC Central Committee.

PRC: 4th Session of 8th Hebei People's Congress Ends 11 Feb

SK1502003596 Shijiazhuang Hebei People's Radio Network in Mandarin 2300 GMT 11 Feb 96

[FBIS Translated Excerpt] The fourth session of the eighth provincial people's congress successfully completed the agenda as planned and ended at the Hebei Assembly Hall on 11 February. This session united all nationalities to do a solid work and to forge ahead. The session called for all people to rally closer around the party Central Committee with Jiang Zemin as the core. Under the leadership of the Central Party Committee, the State Council, and the provincial CPC committee,

we should hold high the grand banner of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, go all out to forge ahead, and work hard to enable Hebei Province to enter the 21st century with a prosperous, civilized, and wealthy appearance and become an economically powerful province as soon as possible.

At 1500, the fourth joint meeting was held. Lu Chuanzan presided over the meeting. The number of deputies who should be present was 936, and the number of those present was 755, which met a quorum. The fourth joint meeting approved the namelist of the general scrutineer and scrutineers for the by-election of the president of the provincial higher people's court. The general scrutineers were (Li Yuzhen) and (Peng Zhenhua). Right after this, deputies conducted the election through voting. After voting, the presidium held the fifth joint meeting, affirming the validity of the election result. When Lu Chuanzan announced at the joint meeting that Li Yucheng was elected president of the Hebei Provincial Higher People's Court, the whole participants of the meeting responded with warm applause. Then, Lu Chuanzan chaired the closing meeting. [passage omitted]

Sitting at the front row of the rostrum in the closing meeting were Lu Chuanzan, Li Yongjin, Zhang Zhenhuan, Liu Zongyao, Dong Naifang, Gao Yongtang, Ning Quanfu, Zhou Xin, Jiang Danwu, Zhang Jianxi, and Xie Yuqi. Attending the meeting and sitting at the rostrum were Ye Liansong, Li Bingliang, [names indistinct], Hua Binglai, Zhao Jinduo, and Li Zhanshu, Wu Yedo, Zhao Shiju, Cong Fukui, Guo Hongqi, Liu Zuotian, Guo Shichang, He Shaocun, Zhang Runshen, Wang Shusen, Huang Lan, Du Benjie, Zhao Huichen, Ma Xinyun, Yu Zhenzhong, Wang Manqiu, Chen Hui, Li Yuehui, [names indistinct], and Li Yucheng, president of the provincial higher people's court, and Hou Lei, chief procurator of the provincial people's procuratorates. [passage omitted]

PRC: Hebei Governor Addresses Meeting on Anticorruption Work

SK1502011296 Shijiazhuang Hebei People's Radio Network in Mandarin 2300 GMT 13 Feb 96

[FBIS Translated Text] The provincial government held the fourth anticorruption work meeting on 13 February. Governor Ye Liansong gave a speech. He stressed: We should strengthen the building of administrative honesty, safeguard the political discipline, and deepen the province's anticorruption struggle.

In referring to this year's anticorruption work, Ye Liansong emphatically pointed out: The anticorruption work is a long-term and arduous task. [passage indis-

ting]. Governments at all levels and all departments should emphasize politics and [words indistinct] while summarizing the existing good situations, fully understand the importance and urgency of the anticorruption struggle, regard successfully carrying out the anticorruption struggle as one of the basic tasks for safeguarding the state's political power, and implement it as the basic task for promoting the modernization drive and straightening out the political orientation.

Ye Liansong pointed out: The anticorruption work of government organs across the province should be focused on keeping leading cadres clean and self-disciplined. We should continue to attend to the work of clearing up the use of unauthorized cars by the villagers' committees, continue to check the unhealthy trends of using public funds for dining, wining and pleasure-seeking, make special efforts to check the problem of leading cadres who abuse power to seek privileges in housing and in building and furnishing houses, realistically implement the systems of making party and government leading cadres report their incomes to the higher level, registering the gifts they receive, and reporting enterprises' entertainment funds. Leading cadres at and above the county section level should act in line with the seven demands for leading cadres put forward by the sixth plenary session of the central discipline inspection commission, and should do a good job in keeping themselves clean and self-disciplined.

He said: We should concentrate efforts to investigate and handle major and appalling cases, give impetus to investigating and handling cases, give priority to investigating and handling the law and discipline violation cases involving government leading organs, administrative and law-enforcing organs, economic management departments and leading cadres at and above the county section level. We should make special efforts to investigate and handle influential and significant major economic cases, continue to clear up and check the unhealthy trends in departments and various trades which the masses have strong complaints, do a good job in supervising law enforcement, and guarantee the smooth implementation of laws and decrees. He called on government departments at all levels to strengthen leadership, clearly define responsibility, further improve and strengthen the mechanism of supervising the work of administrative honesty and setting restrictions, persist in giving simultaneous attention to honest and diligent administration, and deeply, constantly and more effectively carry out the whole province's building of diligent and honest administration and the anticorruption struggle with a high degree of political insight and sensitiveness and the spirit of fearing nothing and fighting indomitably.

PRC: Inner Mongolia Reports on 1995 Finances

*SK1402041296 Hohhot NEIMENGGU RIBAO
in Chinese 16 Jan 96 p 1*

[By reporter Zhang Jinyan (1728 3866 3601): "Financial Revenue Totals 7.53 Billion Yuan in the Region Last Year"]

[FBIS Translated Excerpt] This reporter learned at the regional financial work conference, that the region's financial revenue in 1995 totaled 7.53 billion yuan, 710 million yuan more than the previous year, which is an increase of 10.4 percent. Of this figure, the local financial revenue amounted to 4.25 billion yuan, 105.4 percent of the budgeted figure, or an increase of 610 million yuan, 16.8 percent, over the previous year. And, the revenue from consumption tax and value-added tax handed over to the central authorities amounted to 3.28 billion yuan, 94.4 percent of the budgeted figure, or an increase of 100 million yuan, 3.1 percent, over the previous year.

In 1995, the region's financial expenditure totaled 10.2 billion yuan, 96.2 percent of the budgeted target (including the special appropriations of the central authorities), an increase of 920 million yuan, or 9.9 percent, over the previous year. As a result, the region basically achieved a balance between revenue and expenditure in 1995. [passage omitted]

PRC: Industry Leads Inner Mongolia's Development

*OW1402014396 Beijing XINHUA in English
0046 GMT 14 Feb 96*

[FBIS Transcribed Text] Hohhot, February 14 (XINHUA) — Industry is leading the way in north China's Inner Mongolia Autonomous Region, which used to be a "Kingdom of Animal Husbandry".

The region has formed an impressive industrial structure including coal, power, metallurgy, forest and wool industries.

With efforts made during the Eighth Five-Year Plan period (1991- 1995), the region's industry has been maintaining an annual growth rate of 12 percent.

Key projects completed during the 1991-1995 period hit a record high in the region's history.

In the past five years, the region invested nearly 100 billion yuan in fixed assets, and completed and put into operation 6,000 projects.

It has been predicted that by the end of the century, the newly launched industrial projects will generate an output value of 50 billion yuan.

During the 1991-1995 period, the region's heavy industry had been maintaining an annual growth rate of 13 percent, while the light industrial sector 10 percent.

The province has established trade and economic relations with 2,000 clients in 82 countries and regions. Entrepreneurs from about 30 countries and regions have made direct investments in the region.

PRC: Illegal Audio, Video Products Destroyed in Tianjin

*OW1402144896 Beijing XINHUA in English
1432 GMT 14 Feb 96*

[FBIS Transcribed Text] Tianjin, February 14 (XINHUA) — About 60,000 pirated and pornographic audio and video products that were confiscated were burned here today.

Four large-scale campaigns were launched by the municipal government of Tianjin since the end of last year to crack down on pornographic and illegal publications.

This year, the city confiscated at least 21,600 illegal video cassettes, 8,946 tape cassettes, 8,927 CDs and VCDs, 767 electronic book LDs, and 22,300 books, newspapers and periodicals.

Officials in charge of the campaign said today that all theaters showing LDs have been closed and commercial LD screening activities have been halted.

A number of illegal audio and video production centers and stalls selling illegal books, newspapers and periodicals were fined or given other penalties.

Northeast Region**PRC: Heilongjiang Economic Growth Outlined**

*OW1302084396 Beijing XINHUA in English
0822 GMT 13 Feb 96*

[FBIS Transcribed Text] Harbin, February 13 (XINHUA) — Northeast China's Heilongjiang Province is striving to catch up with other provinces economically.

The province's gross domestic product (GDP) last year increased by 9.5 percent, setting a record since 1985. Its industry grew by 16.2 percent last year, also a record.

Heilongjiang ranks among the leading areas in the country in the production of oil, timber, coal, gold and grain, and its mining, power plant equipment, metallurgical equipment, heavy machinery, and paper making occupy strategic positions in the country.

Hampered by the centrally planned economy, Heilongjiang used to lag behind in economic development. Its annual industrial growth was 7.8 percentage points

lower than the nation's average during the 1980-1993 period.

To change this situation, the province has since organized 245 corporations and enterprise groups while enlivening almost all its small enterprises.

It also has increased its input into agriculture and mobilized farmers' enthusiasm for farm production.

According to statistics, the province is able to produce 25 billion kg of grain a year, higher than the country's average.

PRC: Heilongjiang Earmarks Funds for Technology
OW1502070996 Beijing XINHUA in English
0213 GMT 15 Feb 96

[FBIS Transcribed Text] Harbin, February 15 (XINHUA) — Northeast China's Heilongjiang Province is planning to invest 8.6 billion yuan in the technical transformation of 40 key projects in the 1996-2000 period, a provincial official announced here today.

The projects cover the fields of machine building, special steel production, petro-chemistry, automobile, electronics and other pillar industries, the official said.

When the work is completed the projects are expected to yield an additional sales value of 15.2 billion yuan and a profit of 2.69 billion yuan every year.

Technical transformation will help to raise the annual production capacity of an ethylene plant at Daqing oilfield, the largest of its kind in China, from 350,000 tons to 480,000 tons.

Operation of a new production line at the Beiman Special Steel Mill will increase the mill's annual output by 500,000 tons.

***PRC: Report on Heilongjiang Defense Enterprise Troubles**

96CE0132A Harbin HEILONGJIANG RIBAO
in Chinese 28, 31 Dec 95, 7, 13 Jan 96

[Article in four installments by Correspondents Xu Feng (1776 1496) and Sun Yongxiang (1327 3057 4382)]

[28 Dec 95 p 1]

[FBIS Translated Text] Heilongjiang Province has many large enterprises, a substantial number of which are military enterprises. Since military enterprises have a special status, enlivening these state-owned enterprises holds not only important political and economic significance, but important strategic significance as well.

Because of the sharp reduction in calls for military supplies in recent years, most military enterprises today

are facing unaccustomed difficulties. The whole industry is languishing. A combination military and civilian production policy, and speeding up the development of products for the civilian market is a realistic choice for these enterprises to get out of their predicament. For the past year or so, war industries have taken a new joint development course of switching from military to civilian production and product diversification, using their primary lines to advance sidelines, and using sidelines to nurture primary lines of goods. Harbin Aviation, and Dongan Aviation, two enterprises that were among the first to become mired in difficulties, took the lead in setting up bread-and-butter civilian goods projects for the production of mini-vehicles and miniature engines in a shift from military to civilian production. Today, Harbin Aviation's civilian goods account for 90 percent of the company's entire output value. Unable to meet demand for its 0.8 liter displacement engines, Dongan Aviation recently set up a new 1.0 liter engine production line. A 1.3 liter engine production project requiring an investment of 1.5 billion yuan has been approved at the national level, and talks are currently underway for formation of a joint venture to produce it. These two enterprises have played a leading role. By the end of the present century, output of mini-vehicles and engines may reach 250,000 and 350,000 units respectively, annual output value exceeding 20 billion yuan.

By contrast, weapons production enterprises have lagged in the development of civilian goods. Replacement products have not kept pace. These enterprises continue to find the going hard. The Longjiang Electronics Plant has lost money for 15 years running, its debts mounting to 370 million yuan. Production at the Huanan Machinery Plant in Qiqihar is at a virtual standstill. Breaking up into small units to fight out of encirclement is preferable to suffering under siege. Two branches of the Longjiang Electronics Plant that could see no hope a year previously returned from the dead after capable people took charge. The sound of machinery rumbled anew in its silent shops, and its stopped production lines began to turn once again. In January 1995, the motorcycle branch turned over management of its assets on a commission basis to the Jialing Group from Sichuan Province, another weapons manufacturing enterprise, its equipment, plant buildings and personnel coming under Jialing control. Now it turns out 31,500 motorcycles, three-fourths the plant's total output during the previous 10 years. The Jialing Group has signed an agreement with Taiwan for the cooperative production of mopeds, the Longjiang Electronics Plant being selected for the assembly of 140,000 mopeds a year. This production line alone will have an output value of several billion yuan. Another

branch of the plant that produced aluminum materials sustained losses of 1.4 million during 1994. It had reached the point where it had no money to meet expenses or to buy raw materials. In March 1995, operation of this plant on a commission basis was turned over to the Heihe Branch Company, a subsidiary of the China Non-Ferrous Metals Import-Export Corporation. It perked up very quickly. Prospects are that it will hold its own during 1995 and, in view of the number of orders it has to fill, it should earn as much as 1 million yuan in 1996.

In breaking the siege, many enterprises make the painful decision to keep any workshop, any equipment, and any personnel that can survive, sacrificing all else. During the past year or two, the Harbin Dongguang Machinery Plant has managed to place 900 staff and workers — one-third of its total complement — by operating tertiary industries, retirements, and the use of flexible measures, while simultaneously cutting the number of administrative and technical cadres at all levels from 687 to 357, and retaining only 76 agencies. Thanks to personnel reductions, the enterprise has cut losses for three years in a row. One hundred staff and workers at the Dongli branch of the Heping Plant in Qiqihar raised money to start up a restaurant in a plant building facing the street in the plant area, everyone sharing the profits. The Fenghua Machinery Plant reconstituted all eight of its research institutes, sending them to high-technology industrial development zones in Harbin where they could make as much as 7,000 to 8,000 yuan per year. Previously, each year more than 10 scientific and technical personnel had requested transfers, but now everyone felt there was hope.

People have always had the impression that military enterprises are very mysterious, very large, and closely guarded. However, the high walls enclose not only closed off production patterns, but also ossified thinking patterns. The walls must come down to make way for development. The Beifang Tool Plant in Mudanjiang led the way in toppling its surrounding walls, which had lined the streets for 40 years, replacing them with brand new store fronts. This caused a lot of commotion at the time, but as business boomed, people began to get over their misgivings. The Heping Plant moved more than 80 staff members and workers from quarters facing the street where it built a commercial street on which business thrived. The Fenghua Machinery Plant, which had one side of a provincial government circle all to itself, tore down its wall facing the street in July to build 2,500 square meters of retail shops. Not only did it recover its entire investment within a year, but it also showed some profit. Now that it has tasted the fruits of this venture, the Fenghua Plant is preparing

to cooperate with a Japanese firm to construct a large modern robotics training building.

The huge size of military enterprises also shows up in the excessive burdens they bear. Enterprises are particularly noted for the social welfare services they provide. When attempting to develop tertiary industries for employees, many enterprises push off on the market the burdens they can no longer carry or afford. Fenghua Factory contracted its bathhouse and kindergarten entirely to its staff members and workers. Heping Factory founded a real estate development company, which contracted the development of staff and worker housing. Business thrived. The gallstone removal surgery that the factory hospital performs in association with others has not only benefited the hospital, but has become renowned throughout the city. Statistics show that military enterprises throughout the province have shed 13,600 people into tertiary industries, operating 523 of them. Between January and September 1995, these tertiary industries made 6.553 million yuan profit on receipts of 207 million yuan, thereby lightening enterprise burdens to a certain extent.

Some enterprises have also used their own proving grounds and empty land to grow grain. In 1995, Jianhua Factory grew 4,000 hectares of wheat and soybeans, raised hogs and sheep, and operated grain processing plans producing 20 million yuan in income. At the Heping Factory, the farm became the place people most admired. In 1995, not only did the farm grow ginseng but other famous and rare medicinal herbs as well, making a sizeable profit from them.

Military enterprises have human talent, equipment, technology, and space. All they have to do is emancipate thinking and put aside pretense. Their first step is to break out of the difficulties that surround them and transform their mechanisms. The next step is snowballing development that gets them out of the trough gradually. In these enterprises, an increasing number of cadres, staff, and workers realize from experience that only so long as an enterprise can withstand the storms of the marketplace and develop strength steadily can it occupy the heights of high technology and provide more modern new weaponry for national defense.

[31 Dec 95 p 1]

[FBIS Translated Text] Heilongjiang Province has 13 military enterprises under direct central government control, and employs 130,000 staff and workers in enterprises owned by the whole people. This means, that no matter whether or not they show a profit, these enterprises have to ensure payment of wages to

a large number of people as well as provide them social welfare services such as housing and medical treatment. Formerly, it was a very great honor to be a staff member or worker in a military enterprise. Nowadays, however, when these enterprises are not doing well, and they are scraping along from day to day, the superiority feelings of their staff and workers have largely disappeared. The correspondents found that while the staff and workers in some large plants are worried about the future of their enterprise, a nearby group of staff members and workers is very optimistic and brimming with confidence about their enterprise's prospects. These are the staff members and workers of collective enterprises that operate labor service companies. Most of these collective enterprises had formerly been plants operated by dependents, and catering services during the Fifth Seven-year Plan, most of whose employees were young people in need of employment, retired people, and housewives, all who had rudimentary equipment and offered a single product or service. They had virtually no technical personnel at all. Nevertheless, these congenitally deficient enterprises developed rapidly within a year or two. Even though these enterprises were run by large plants from which they obtained needed support, they did not get a red cent in loans for their development. All their staff and workers worked on contract and the enterprises made their own operating decisions, as well as, being responsible for their own profits and losses. Today, their flexible mechanisms exhibit exuberant vitality. Statistics show this large vocational army totals 60,000 staff and workers, and that between January and September 1995, these collective enterprises produced 520 million yuan of output value, 38.4 percent more than during the same period in 1994. Sales income totaled 480 million yuan, 38.4 percent more than during the same period in 1994, and profits totaled 9.523 million yuan, up 334 percent from the same period in 1994. These facts show that collective enterprises are becoming an important means for military enterprises to open a "second front."

Heretofore, labor service companies have been appendages of the main plant, occupying a subsidiary position, and living off the main plant's leftovers. When the main plant had no work to do, they starved along with it. Now, however, these enterprises use their own flexible mechanism to begin to take the initiative in finding food for themselves. They have made an extraordinary showing in market competition.

Harbin Aviation's service enterprise — the Industrial and Commercial Corporation — has more than 400 units under its control. During 1994, their sales totaled only 150 million yuan, but this year they reached 240 million yuan in an astonishingly swift rise. Harbin Aviation designated a deputy manager who was responsible

for developing its labor service enterprises. In November 1994, the Industrial and Commercial Corporation decided to develop mini-vehicles for farm use. They spent only 30-odd days and nights on this project from design, to manufacture of a prototype, to final authentication, a speed unimaginable for other enterprises of the same type. In 1995, the Corporation produced more than 800 vehicles, and sales are proceeding well. Plans call for the founding of a farm use mini-vehicle manufacturing company using a new mechanism beginning in 1995. Annual output of these farm vehicles is to be between 30,000 and 50,000 units by 2000 for an output value of between 600 million and 1 billion yuan. As the enterprise develops, the collective staff and workers do not feel inferior. In September 1995, the first group of 308 staff and workers joyously moved into buildings built with the labor service company's own money. In 1995, the labor service company also hired 14 college and vocational school graduates for the first time.

While producing and processing spare parts and components for the main plant's mini-vehicle engine, the Dongan Labor Service Corporation successfully developed a line of grain processing machines, which are already being sold in markets throughout the country as well as being exported to southeast Asia. In 1995, Dongan conducted an inventory of its assets, concluding that except for two machines, all the other assets belonged to the labor service corporation. Dongan Corporation already regards the labor service corporation as a wing without which its own takeoff would be impossible. It plans to set up a three-legged aviation products, non-aviation products, and tertiary industries corporation during the Ninth Five-year Plan. Dongan Corporation is now planning to spin off more personnel to collective enterprises, the percentage of staff members and workers forming another three-legged entity.

Labor service companies have also flourished even in some money-losing enterprises. At the Heping Plant, it is the plant's guest house that is able to pay wages month after month. After contracting of the Longjiang Electronics Plant's "family dependents" restaurant, business roared like a house on fire. The Huaan Machinery Plant's engineering machinery installation team advanced into the market gaining a fine reputation as a result of a single venture in Jingcheng's Huairou County, signing contract after contract. These events show one thing, and that is that transformation of mechanisms is the right prescription for solving enterprises' troubles.

If flexible mechanisms can enable collective enterprises to adapt to the market, why not military enterprises? Not only can mechanisms be transformed through diverse means such as multiple-level legal entities, management of operations on a commission basis, joint ventures, and

cooperative ventures, but money, skilled talent, technology, and management difficulties can be solved too, and product quality improved. Military enterprises' understanding of this issue is gradually changing. Harbin Aviation and Dongan, the first corporations to act, are making heartening strides with joint ventures and cooperative ventures. The Songjiang Machinery Company has founded the Harbin-Asia Brewing Company as a joint venture with the Philippines Asia Brewing Company. The Heping Corporation's motor vehicle branch plant has formed a joint venture with Russia's Wular [phonetic] Motorcar Plant to form the Northern Wular Motor Vehicle Manufacturing Corporation. It should be said that such joint ventures and cooperative ventures are just beginning, and are being explored. However, people see from these tiny changes that military enterprises, which have been so deeply influenced by the planned economy, are gradually awakening under the pounding of the market tide.

[7 Jan 96 p 1]

[FBIS Translated Text] In the course of their visits to military enterprises, the correspondents had a rather profound sense of the following economic phenomenon: Aviation and aerospace enterprises are much better off than weapons enterprises. One is travelling in the fast lane, while the other is bogged down in a ditch. This polarization is becoming increasingly evident and is gradually widening. Generally speaking, military enterprises throughout the province have seen rapid economic growth and cut losses since the beginning of the year. Virtually all have been pulled by the sudden appearance of the mini-vehicle and mini-vehicle engines of Harbin Aviation and Dongan Corporation. Industrial output value of military enterprises for the year is estimated to be 3.5 billion yuan, 2.8 billion yuan of it income from the sale of just these two bread-and-butter civilian products. In other words, most other military enterprises, particularly weapons enterprises, are still floundering in a ditch. They are battling adversity.

It must be said that in recent years, owing to the special status of military enterprises, they have been beset throughout by the two problems of supporting the armed forces and converting to civilian production. On the one hand, their military goods orders have dwindled year by year, returns from their production of military stores not at all being able to make up for their expenses in supporting the armed forces. On the other hand, they lack the huge investment sums needed to realize economies of scale in the production of bread-and-butter civilian goods. Harbin Aviation's and Dongan's investment in production lines exceeds several hundred million yuan.

However, why is it that some military enterprises have substantially switched from military to civilian production, have bread-and-butter civilian goods, have some civilian goods that are selling well, and they are beginning to do well, while others are still making new readjustments and are slow in getting ahead. Careful analysis of the stage of economic development and internal conditions in enterprises shows that this polarization is not accidental. The economic system, management style, and market competition aside, the main reason some enterprises find the going rough is they do not have the necessary product mix and they have not adjusted their product mix.

After more than a decade of high speed development of China's economy, a situation has occurred that is similar to the large-scale readjustments of industrial structure in the course of a high degree of industrialization in developed countries during the 1960s and 1970s. This is to say that China has entered a period in which high and new technology industries are gradually becoming a greater percentage of the entire national economy. Most of China's military enterprises were born during the 1950s, and most were built with assistance from the former USSR. Beginning in the middle and late 1960s, owing to the political climate and geographic factors, long-term investment in the technological transformation of the entire industry was insufficient, and equipment became seriously antiquated. Owing to the highly centralized planned economic system, plus stifling government control of enterprises, enterprises lacked the authority to make decisions that they needed. Consequently, during this period of intense change in enterprises' organizational structure and industrial structure, their inability to adjust to markets is understandable. Faced with readjustments of the industrial structure, when military enterprises are in process of shifting from military to civilian production, what they shift to and in what direction they shift seems extremely important. One way out is to shift to military enterprise-related technology and associated products, but because of the restrictions of the planned economy system and operating mechanism, enterprises remain too tightly tied down overall. Their mechanisms are not lively; they lack the needed means to compete, and their leading products cannot weather the storm. For example, a weapons enterprise borrowed 20 million yuan in 1988 to import high temperature heat retention equipment. However, from the very day that the production line went into operation, the enterprise faced competition from countless small plants of the same kind, its production never rising beyond 20 percent of capacity. Another avenue is to keep pace with the times, switching into newly rising industries such as electronics, computers, fine chemicals, and biological engineering. One might say that military enterprises

such as Harbin Aviation, Dongan, and Changhong and Jialing in Sichuan are prospering today because they relied on themselves, developed themselves, and made some canny choices in matching their own strengths to the urgent needs of national industrial policy, switching to the production of electronics, motor vehicles, and motorcycles.

The experiences of Harbin Aviation and Dongan in opening a "second front" offer realistic choices for solving the problems of large and medium-size enterprises and enlivening them. They both enable enterprises to nurture new economic growth points outside the traditional system and structure, and to find a genuinely workable starting point from which enterprises can transform their mechanisms. During their most difficult period, both Harbin Aviation and Dongan made the most of their abilities in developing civilian products no matter how small and no matter how complex. They went from small things to big things, put their shoulders to the wheel, found markets in the course of rough and tumble competition, found sales avenues in the markets, and gradually snowballed development. Finally, they chose projects compatible with their own skills, human talent, and equipment, namely mini-vehicle engines and a series of mini-vehicles as their main civilian products that filled a void in the domestic market. This enabled them to vault out of the ditch and restore their former majesty.

It is heartening that some weapons enterprises now realize their own shortcomings from the successes of Dongan and Harbin Aviation, and have chosen a correct orientation. The civilian market for the bulk cargo trucks, the gasoline refueling trucks, and the liquified gas tank trucks that Jiancheng Machine Plant has developed show bright prospects, their output value already accounting for half the plant's total output value. The situation today augurs well for the enterprise's business in 1996. The three main products of Harbin No. 1 Machinery Plant, namely pile drivers, graders, and excavators have an annual output value of 19 million yuan. With improvements in batch production and quality, and with further market development, the plant will be at a standstill no longer.

Salvation for weapons enterprises lies right under their noses. The key is to emancipate thinking, change ideas, have some new thoughts and new mechanisms suited to the market economy, and do a good job of readjusting both the product mix and the industrial structure to climb the road to prosperity step by step.

[13 Jan 96 p 2]

Objectively speaking, even though some of the province's military industries remain in a predicament

and are in even worse condition, their technology, equipment, and human talent is far better than that of township and town enterprises, privately operated enterprises, and district and street-run enterprises. They are still places where unusual talent may be found. Hands that can produce aircraft and artillery are more than capable of producing ordinary civilian goods. Nevertheless, the market seems to be purposely mocking these large state-owned enterprises. Many military enterprises have developed quite a few civilian goods, and their choices are good ones; nevertheless, these large enterprises just cannot outperform some small plants. In addition to the objective reasons, some reasons endemic to the enterprises should also not be overlooked.

During the highly centralized planned economy era, military enterprises' production was under 100 percent control of the state. Enterprises did not have to concern themselves with capital, raw materials, and marketing problems. With the advent of the market economy era, it is the military enterprises that are most profoundly influenced by the planned economy system. Naturally, their inflexible mechanisms are the main factors binding them hand and foot. This is demonstrated sharply in the following ways: Their response to all economic signals is sluggish; their products lack competitiveness; and they have no effective marketing techniques.

Ten years ago, the Songjiang Machinery Plant imported a 50,000 tons per year beer production line from Germany. The beer it produced was first rate in both taste and color. At this time, the Yimianpo Brewery in Harbin had only a 10,000 ton per year production capacity. The Songjiang Machinery Plant sized up the situation correctly before mounting this project, and thanks to its very competitive equipment, by rights, it should have been entirely capable of becoming the main enterprise in the brewing industry in the province. However, since it applied the old mechanism, tying its beer production to military goods production, it did not seize opportunities to take over the market. Its production line never realized its full potential. Despite several changes in management and several brand name changes, its beer never became well-known. It was not until 1994 when a joint venture with a foreign firm was formed and a new mechanism used to reorganize the brewery that this project began to take a turn for the better.

The Longjiang Electronics Plant and the Sichuan Jiling Group started up at about the same. Longjiang was the first to develop and produce motorcycles in Heilongjiang, and some of its models even won prizes at national fairs and athletic competitions. However, because of differences in outlook and mechanisms, the

Longjiang Plant's motorcycle output rose and fell. It never did make great strides. Meanwhile, Jiling became the topmost enterprise in the country in motorcycle production. In early 1995, the Longjiang Plant made the painful decision to take the initiative in asking Jialing to operate the entire production line on a commission basis. During the past year, the people at Longjiang have learned from Jialing not only strict management and superb quality but, more importantly, their market concepts.

It is not just the military enterprises. Examples of large enterprises in the province being mocked by the market are too numerous to mention. Examples include Lantian Washing Machine, Jiamusi JVC Television, Mudanjiang Beibingyang Refrigerator, etc. When they first put their products on the market, they seized a leading position nationwide, and market forecasts at the time showed vast development potential. However, the products that had only just opened up markets were fleeting. Analysis of why they died a premature death one after another produces various reasons, but the most harmful and most crucial one remains the mechanism problem.

Not only do money-losing enterprises face problems in transforming their mechanisms, but enterprises that are operating well likewise face mechanism transformation problems. What is this mechanism thing? It is the establishment of a modern enterprise system that meets requirements of the market economy, in which equity rights are clear, in which rights and responsibilities are spelled out, in which government administration is separate from enterprise management, and in which management is scientific. Only when they establish new mechanisms imbued with vim and vigor can enterprise production revolve around sales, and sales revolve around the market. Take motor vehicles, for example. In 1995, motor vehicle output nationwide totaled somewhat more than 2 million units. Ever since 1994, more than 96 percent of the country's motor vehicle output has been sold through the market, which is to say that the market has become the main avenue for motor vehicle sales. The competition can be imagined. Another potential threat comes from China's acceleration of talks to enter the World Trade Organization. Naturally, foreign automobile manufacturers want to compete in the Chinese motor vehicle market. China now faces a major lowering of tariffs in 1996, so foreign motor vehicle firms are even less willing to give up their lust for the China market. A Chinese saying goes: A danger foreseen is half avoided. In order for Harbin Aviation and Dongan to gain a solid

footing in both domestic and foreign markets, they must have a stronger sense of crisis. They must make use of today's favorable circumstances to accelerate mechanism transformation and meet challenges. Only in this way can they avoid repeating old mistakes.

PRC: Liaoning Propaganda Department Directors Meet

SK1502001796 Shenyang Liaoning People's Radio Network in Mandarin 2200 GMT 13 Feb 96

[FBIS Translated Excerpt] The two-day provincial meeting of propaganda department directors ended on the morning of 13 February.

Zhang Xilin, standing committee member of the provincial party committee and director of the propaganda department of the provincial party committee, made a speech on further achieving the propaganda and ideological work.

He said: The current situation is very favorable to us to carry out the propaganda and ideological work, the task is arduous, and our responsibility to carry out the work is heavy. So, we have to develop our ability to the full.

He pointed out: In carrying out the propaganda and ideological work, we should enhance the awareness of politics. Especially, General Secretary Jiang Zemin stressed on several occasions lately that leading cadres must stress politics. The central leader's stress on politics is of realistic importance. There must be a political guarantee that realizes two fundamental changes as set forth at the fifth plenary session of the 14th party Central Committee and accomplishes the grand goal spanning this and the next century. So, we should persist in an accurate political orientation and an accurate political stand. The trend of neglecting and not stressing politics exists in some spheres. The propaganda and ideological work front plays a guiding role, and its work is much related to politics, ideology, and policies. So, the broad masses of cadres on this front, particularly leading comrades, should strengthen the awareness of politics, take the overall situation into consideration, have a sense of responsibility, and really implement to the letter the party Central Committee's requirement for stressing politics. [passage omitted]

Shen Xianhui, a provincial-level veteran leader, also made a speech at the meeting.

PRC: Shandong Forum on Attracting Taiwan Investment

SK1502063496 Jinan Shandong People's Radio Network in Mandarin 2300 GMT 14 Feb 96

[FBIS Translated Text] At the provincial forum of directors of city and prefectural Taiwan Affairs Offices held on 14 February, Li Wenquan, deputy secretary of the provincial party committee, stressed: For some time to come, in carrying out work towards Taiwan our province should take the basic principles of peaceful reunification and one country-two systems and General Secretary Jiang Zemin's important speech as guidance, attach prime importance to opposing and preventing Taiwan independence and fighting splittist activities, continue to give prominence to the work priorities of carrying out economic relations and trade, and contacts and exchanges with Taiwan, do a better job in conducting propaganda towards Taiwan, strengthen the building of contingents for carrying out work towards Taiwan, and promote the in-depth development of all work towards Taiwan.

Li Wenquan stressed: Leaders at all levels should further enhance the sense of responsibility and urgency of making this work a success and fully understand that the most fundamental thing we should do in resolving the Taiwan issue is to push our economy forward. Taiwan Affairs Offices at all levels should give full play to their functions in organization, guidance, management and coordination, mobilize all social sectors to care for and support the work towards Taiwan, and promote the early accomplishment of the great cause of reunifying the motherland.

So far, the province has approved 3,181 Taiwan-funded projects with a total investment of \$5.3 billion. The contracted Taiwan capital totals \$2.6 billion. At present, 1,552 Taiwan-funded projects have been (?carried out).

PRC: Posts Ministry Calls for Direct Cross-Strait Mail

OW1502100896 Beijing Central People's Radio in Mandarin to Taiwan 2200 GMT 14 Feb 96

[From the "News Square" program]

[FBIS Translated Text] The Ministry of Posts and Telecommunications is the top organization in charge of postal and telecommunications undertakings in China. For many years, the ministry has been working to promote cross-strait postal exchange. Mr. Liu Cai, director of the Taiwan Affairs Office of the Ministry of Posts and Telecommunications, made a statement a few days ago on the history, current situation, and other issues of cross-strait postal exchange in the past

few years and expressed hope that Taiwan authorities would open direct cross-strait postal exchange as soon as possible. The following is a recorded statement made by Mr. Liu Cai.

[begin recording] The Taiwan Affairs Office of the Ministry of Posts and Telecommunications, as a functional department for promoting direct cross-strait exchange of posts and telecommunications, has energetically implemented the spirit of President Jiang Zemin's speech in the past year and has taken concrete steps to strive to promote direct cross-strait exchange of posts and telecommunications.

In the past year, posts and telecommunications departments in various localities have made efforts to expand postal and telecommunications services with Taiwan and improved their quality. They have done a lot of work to link up the feelings of kinship between people on both sides of the strait and to promote cultural exchange. In addition to existing ordinary mail business, registered mail, post cards, aerograms, printing matters, [words indistinct], telephone calls, telegrams, data communications, and so on, great efforts have also been made this year to develop tele-letter-boxes, data exchange, and telephone cards that can be used in different localities.

The fresh flower telegram business, run jointly by the two sides this year, has played a positive role in linking the two sides of the strait. The package service for mailing mooncakes to Taiwan in the Mid-Autumn Festival, provided by the Shanghai Municipal Post Office, has enabled compatriots on both sides of the strait to enjoy friendship and feelings of kinship during that Festival.

Energetically promoted by our side, the cross-strait exchange of posts and telecommunications has made some concrete progress. The posts and telecommunications departments of both sides can directly distribute mail bags by air, water, and land and can conduct telegraph and telephone business between the two sides of the strait via another country or region. This arrangement has realized an open exchange of some posts and telecommunications.

Year after year, large increases in the volume of cross-strait posts and telecommunications have also gained momentum. In 1995, the volume of mail and telephone calls from the motherland to Taiwan ranked second in foreign mail and calls and is increasing rapidly. Besides, the volume of posts and telecommunications from Taiwan to the motherland ranked first in mail and telecommunications from Taiwan to places off the island.

According to incomplete statistics, in 1989, cross-strait letters numbered 19 million. By 1995, the number increased to 30.4 million. In 1989, the number of telephone calls from the mainland to Taiwan was 1.8 million. By 1995, the number increased to 40.83 million, an increase of more than 20 times.

Although some progress has been made in the cross-strait exchange of posts and telecommunications, the Taiwan authorities headed by Li Teng-hui are greatly worried about exchanges between the people on both sides of the strait and have set up many barriers. As a result, cross-strait exchange of posts and telecommunications can only be carried out indirectly. Mail bags are sent via Hong Kong, and telecommunications have to be translated and re-transmitted. Both sides have to pay an additional \$20 million each year for forwarding. On the one hand, this system has increased the cost of posts and telecommunications on both sides of the strait, thus increasing the economic burden on the users and damaging the interests of compatriots on both sides of the strait. On the other hand, it has lowered the quality of posts and telecommunications, causing an increase in backlog year after year. This has caused much inconvenience to cross-strait economic and trade activities and healthy exchanges.

Direct exchange of posts and telecommunications is a strong desire of people on both sides of the strait. The posts and telecommunications departments of the motherland's mainland have no difficulty at all in implementing the five proposals put forward by Minister Wu. We have made preparations in various aspects and can concretely discuss at any time with people in the same field in Taiwan an implementation plan for establishing 10 major items of postal business and 10 major telecommunications lines and enlarging various kinds of cross-strait postal and telecommunications business. We hope the Taiwan authorities can submit themselves to the will of the people, remove obstacles, and enthusiastically take part in the negotiations so that the common desire of the people on the two sides of the strait for direct exchange of posts and telecommunications can be realized at an early date. [end recording]

PRC: Editorial on Li Teng-hui's 'Splittist Activities'
HK1502074696 Hong Kong TA KUNG PAO
in Chinese 15 Feb 96 p A2

[Editorial: "Li Teng-hui's Pack of Lies"]

[PTS Translated Text for FBIS] A suitable political atmosphere can be provided for the resumption of cross-strait consultations only when the Taiwan authorities have truly returned to the principled position of "one

China" and have stopped creating splittist activities of "two Chinas" and "one China, one Taiwan."

These are the remarks made by Wang Daohan, director of the Association for Relations Across the Taiwan Straits [ARATS], in response to Taiwan, which recently called for a resumption of the Wang-Ku talks and cross-strait consultations. The remarks are quite reasonable.

With deep sincerity in promoting the development of cross-strait relations, the ARATS made strenuous efforts following its establishment and made gratifying progress in bringing about cross-strait routine consultations. Jiang Zemin affirmed this progress a year ago and said that the "Wang-Ku talks" indicated an important historic step taken in cross-strait ties. Following the first "Wang-Ku meeting," the two sides of the strait made some preparations for the second "Wang-Ku meeting" through numerous consultations. The first preparatory consultation for the second "Wang-Ku meeting" held in May last year was successful, which reached consensus on a number of procedures for the official meeting. We should say that the atmosphere across the strait at that time was good.

On the eve of the preparatory meeting, however, Li Teng-hui visited the United States, going in for the splittist activities of "two Chinas" and "one China, one Taiwan," which seriously undermined the foundation for the development of cross-strait ties. As a result, the second "Wang-Ku meeting" could not be held as scheduled and the ARATS-SEF [Straits Exchange Foundation] consultations at various levels had to be temporarily suspended. Hence, the responsibility for undermining cross-strait talks totally rests with the Taiwan side.

Recently, Li Teng-hui advertised that "the two sides of the strait should end the state of hostility," saying that "the ninth president of the Republic of China [ROC] will study and work out plans for ending the state of hostility across the strait." These are lies aimed at fooling the public.

If Li Teng-hui really wants to do something to end the state of hostility across the strait, why did he aggravate the tense cross-strait atmosphere instead of making a positive response to Jiang Zemin's proposal of the two sides holding talks to officially end the state of hostility under the premise of one China and then reaching an agreement?

The fundamental reason for the stalemate in cross-strait relations is the fact that the Taiwan authorities divorced from the principle of "one China" and stubbornly carried out activities to split the motherland. The key to ending the state of hostility across the strait is that the Taiwan

authorities must truly return to the principled position of "one China." On the one hand, Li Teng-hui has gone in for "two Chinas" and "one China, one Taiwan," which is aimed at promoting "Taiwan independence," and on the other hand, he is calling for "bringing an end to the state of hostility across the strait," is he not self-contradictory and using his own spear to attack his own shield?

The Taiwan people have seen clearly what he has done. Some pointed out that Li Teng-hui wants "splittism from the bottom of his heart" and "this is the root of tense cross-strait ties." Some questioned Li Teng-hui's propaganda made on the eve of the elections on bringing an end to the state of cross-strait hostility and said that "it is the stalling tactics he adopted to deal with the pressures of the election." Some said that Li Teng-hui "injected heavy doses of anesthetic to the people in the past; so will one injection with a stimulant work at present?"

Li Teng-hui defended his "Taiwan independence" words and deeds, by saying, "how can the ROC president introduce Taiwan independence or an independent Taiwan?"

A few days ago, Beijing issued a convincing article entitled "Two Sorts of Taiwan Independence Can Be Traced to the Same Origin." Li Teng-hui's Taiwan independence words and deeds were copied from Peng Ming-min, who is known as the "father of Taiwan independence." When Peng Ming-min preached that Taiwan should establish an "independent political entity" and "split with China," Li Teng-hui volubly talked about "reciprocal political entity" and "separation and separate rule across the strait." Peng proposed establishing a "Taiwan destiny community," Li followed suit and called for setting up a "Taiwan life community." Peng said that "Taiwan should strive to become a political unit in the world" and "should first apply for UN membership," Li also chimed in, "we should develop international space for subsistence" and "join the United Nations in the name of the ROC." They had mutual affinity and followed the same road.

Li Teng-hui also said, "How can the two sides unify when there is a wide gap in the people's income and when there is democracy on one side and no freedom on the other?" This is another lie he has made to cover his splittist activities.

The "one country, two systems" is the best formula for realizing reunification of the motherland, which confirms to China's national conditions and the common desire of the compatriots across the strait. In order to give consideration to Taiwan's status quo and the interests of the Taiwan compatriots, the main body of the state will continue to practice its socialist system while Taiwan will maintain its original system after the reuni-

fication. "Neither side will devour the other." Therefore, the differences in social economic systems and lifestyles do not constitute an obstacle to reunification.

The remark that there is no freedom on one side is a slander against the mainland's socialist system. The socialist system practiced on the mainland is the choice of the 1.2 billion people, which guarantees genuine and extensive freedom of the people.

This fallacy spread by Li Teng-hui shows that he stubbornly rejects reunification and has gone farther and farther on the road of splittism.

PRC: 'Inappropriate' for ARATS Senior Officials To Visit Taiwan

HK1402054696 Hong Kong WEN WEI PO in Chinese
14 Feb 96 p a1

[Dispatch by staff reporter Tseng Shu-wan (2582 2579 8001) from Beijing on 13 February: "Wang Daohan Criticizes Taiwan for Failing To Match Words With Deeds"]

[PTS Translated Excerpt for FBIS] Wang Daohan, president of the Association for Relations Across the Taiwan Strait (ARATS), has called on the Taiwan authorities to genuinely return to the position of the "one China" principle, and stop their splittist activities of creating "two Chinas," or "one China, one Taiwan" in the world; only then will it be possible to provide an appropriate political atmosphere for resuming cross-strait negotiations. Wang made this statement at an ARATS council meeting. He strongly condemned the Taiwan side as having advocated Wang-Ku talks and ARATS-SEF [Straits Exchange Foundation] negotiations recently, but actually stepped up the creation of "two Chinas."

It is learned that at a recent consultative meeting of Taiwan's Mainland Affairs Council, some members advanced a proposal to invite Wang Daohan to visit Taipei. Answering a reporter's question regarding this, an authoritative figure here said that no invitation has been received from the Taiwan side up to now. But he indicated that in the tense situation in cross-strait relations resulting from Li Teng-hui's pursuing splittist activities in the world in a big way, it is inappropriate for ARATS senior officials to visit Taiwan. [passage omitted]

***PRC: Article Brands Li Teng-hui 'Independence Advocate'**

95CM0466A Beijing GUANGMING RIBAO
in Chinese 28 Aug 95 p 7

[Article by Li Jiaquan (2621 1367 3123), researcher of the Taiwan Institute of the Chinese Academy of Social Sciences: "Li Teng-hui and Peng Ming-min"]

[FBIS Translated Text] Recently I read some works by noted "Taiwan independence" advocate Peng Ming-min and found that Li Teng-hui's statements on Taiwan's future and cross-straits relations are exactly the same as Peng's.

We can make a comparison of their views.

1. "Body with a common fate." This is a term that Li Teng-hui has enthusiastically advocated in recent years. Earlier, he stressed "Taiwan's organic common body" and "the theory of priority of Taiwan's interests." Later, he emphatically advocated "Taiwan's body of common fate." For instance, in an interview with the "legislators" of the Democratic Progressive Party on 6 February 1993, he expressed the hope that the 20 million people on the island "would identify themselves with the Republic of China" so that "they could form a consolidated 'body with a common fate.'" In fact, this is not an invention by Li Teng-hui. As early as July 1983, the same term was mentioned by Peng Ming-min at a meeting. On 5 September 1992, at a "national construction meeting" held in Washington, Peng formally put forward the proposal of "building a 'Taiwan body with a common fate'" to counter the "one country, two systems" proposed by the Chinese government. In a speech delivered at Taiwan University Law School on 2 November 1992, Peng said that Li Teng-hui's "organic common body" is a "body with a common fate," and he "quite agrees" to that proposal. Generally speaking, since then, Li Teng-hui has no longer mentioned the "organic common body," but used the term "body with a common fate" instead.

2. "Reciprocal political entities." In 1991, Li Teng-hui said that the two sides should not deny each other's status as a "political entity." In 1992 and 1993 respectively, he made these statements: "The two sides of the strait are two coexisting political entities." "The Republic of China on Taiwan is a political entity." Last year and this year he said repeatedly that the two sides of the strait are "two political entities independent of each other" and so forth. All these indicated that Taiwan should be an "independent political entity." As a matter of fact, as early as 1972, Peng Ming-min dished up the term "independent political entity" in his book "Taste of Freedom." In an interview with

the WASHINGTON STAR on 7 June 1975, he said that if the people of Taiwan could "choose freely," they "would choose to build their own 'political entity' and to be separated from China." On 4 July 1991, in an interview with Taiwan's LIEN HO PAO [United Daily News], Peng said: "Relations between the two sides should be dealt with by recognizing each other as independently existing political entities." It is based on these comments by Peng that Li Teng-hui has linked "division and separate governance of the two sides" with "reciprocal political entities" in his statements. Actually, the two have the same meaning.

3. "Existing internationally." Here, let us first look into Peng Ming-min's statements. In a speech on 3 July 1977, Peng said: "The international status of the Taiwanese must be redefined." In early 1984, Peng said in an interview with the MEI LI TAO [Formosa] magazine that it was imperative to "win Taiwan's status as a political unit" not only in cross-straits relations but also "internationally." Now, Li Teng-hui has not only repeatedly stressed "room for existing internationally" and the need to "return to the United Nations in the name of the 'Republic of China' in a planned way," but even said that "if we can join the United Nations, we may not care about under what name." Relying on his authority and acting personally, he promotes "pragmatic diplomacy" and "joining the United Nations" activities. He has gone all out to use money in achieving the aim. Money has been spent like water—thousands, tens of thousands, and even millions of U.S. dollars. In this regard, he never cares about wasting the money resulting from the people's sweat and toil. There are all kinds of strange activities and ugly performances—"economic and trade diplomacy," "sports diplomacy," "academic degree diplomacy," "ceremony diplomacy," "transit travel diplomacy," and so on and so forth.

4. "Popular sovereignty." As early as 1960, Peng said at a symposium in Tokyo that "Taiwan's future should be determined by the Taiwanese." In May 1975, he stated on behalf of five "Taiwan independence" organizations in an advertisement in a U.S. paper that "Taiwan belongs to the people of Taiwan." In July 1983, Peng gave the following connotation to "popular sovereignty": "Internationally, it means that the people of Taiwan have the obligation not to be subjected to any country and the right to be externally independent." His advocacy of "popular sovereignty" is, in reality, playing the "card of the people's will." As for Li Teng-hui, he has used this tactic to the extreme in recent years. On many occasions this year, he has talked profusely about popular sovereignty, ranting that "popular sovereignty sought by China for thousands of years has been realized in the Republic of China," and only "Taiwan has popular

sovereignty, while it does not exist in the mainland." In his address at Cornell University last June, he said: "My criterion for carrying out my official duties is that I do it 'always with the people's desire in my heart.'" These words blatantly distorted and defiled the people's will in a vain attempt to describe America's China-splitting activities as "what the people desire." It is no surprise that some people in Taiwan's political circles have said satirically that what Li Teng-hui actually meant was "fulfilling my own desire always in the guise of the people's desire."

In addition to the above four points, there are many similarities between Li and Peng. Peng attacks "one country, two systems" saying that it is a "bait" and a "new dogma." Li describes it as a "united-front plot" and an "outdated sovereignty concept." On many occasions, Peng hinted that the Kuomintang is a "political power from outside." Li has openly said that "the Kuomintang is also a political power from outside." Peng opposes the unification of the two sides on the grounds that "the Beijing government has never set foot on Taiwan" and that in the past the Chinese government "never effectively controlled Taiwan." Li avoids speaking about the past but emphasizes that the government of the People's Republic of China has "never set foot on Taiwan's territory" and "never collected a penny in taxes from Taiwan." With regard to cross-strait relations, Peng holds that "economic exchange may exist," "politically, we should stay far away from China," negotiations "should not be premised on unification," and "the more delayed the time of contact, the better." Even Li's trip to the U.S. Cornell University was planned long ago by Peng Ming-min. As early as April 1989, Peng said in an interview with journalists: "When Li Teng-hui assumed the

presidency, I immediately thought of asking him to visit the United States." In a press conference held 9 February 1990 in New York, Peng said: "The best approach is for Cornell University, Li's alma mater, to confer an honorary doctoral degree on him" or "give him the title of 'an outstanding alumnus' as a way to invite him" to the United States.

Is there any difference between Li Teng-hui and Peng Ming-min? Apart from the fact that one is an "official" and the other is a "private citizen," I think the big difference is that Li Teng-hui is hypocritical and deceptive. Peng Ming-min's words and deeds about "Taiwan independence" are open and completely undisguised. Li Teng-hui is adept at "covering up." While it is clearly "independence," he describes it as "unification." He harps on "unification" in words but practices "independence" in action. While his visit to the U.S. Cornell University was clearly a declaration of war against the "one China" principle, he has argued over and over again that he "was in no way advocating 'two Chinas'" or "an independent Taiwan." Li Teng-hui's so-called "the Republic of China on Taiwan" is, in reality, "an independent Taiwan"—"an independent Taiwan" cloaked as the "Republic of China." However, Peng Ming-min does not agree with this practice. In an interview with journalists on 1 April this year, Peng said: "Taiwan means the Taiwan government, but it is described as the 'Republic of China on Taiwan.' This kind of thing is a word game with no real meaning at all." Peng Ming-min does not know that this is where Li Teng-hui is wiser than Peng, who is an undisguised advocate for Taiwan independence.

Taiwan: Ting, Chien Comment on Strait Safety
OW1502014896 Taipei LIEN-HO PAO in Chinese
 11 Feb 96 p 9

[By reporter Chou I-lun (0719 1837 0243)]

[FBIS Translated Text] Taipei — Commenting on the Taiwan Strait's tensions, Ting Mou-shih, general secretary of the National Security Council, yesterday [10 February] called on the public to trust the Defense Ministry; Foreign Affairs Minister Chien Fu maintained that countrymen should count on their own efforts in ensuring national security; and Chang Hsiao-yan, director general of the Overseas Chinese Affairs Commission, said the situation in the Taiwan Strait is not as grave as some people imagined.

Ting Mou-shih, Chien Fu, and Chang Hsiao-yan made these comments at a meeting to launch the new book entitled "Chang Hsiao-yan Aims High," during which the media asked them to comment on issues concerning the Taiwan Strait's security, such as the Chinese communists' military exercise and a foreign news report that the U.S. aircraft carrier, "Independence," will cruise through the Taiwan Strait next month.

Ting Mou-shih stressed: The Defense Ministry is fully aware of all the Chinese communists' military movements, and countrymen should trust the ministry and not to be overly alarmed. He said: The National Security Council is the President's consultative organ in charge of collecting information the President wants to know; and the Executive Yuan and the Ministry of Defense will decide whether his council will take part in consultations on the situation of the Taiwan Strait.

Chien Fu indicated that his ministry is verifying the report that the U.S. aircraft carrier will cruise through the Taiwan Strait on 1 March. He said he could not confirm this report. When asked to comment on whether there was any significance when increasingly higher ranking U.S. Government officials had expressed concern for the Taiwan Strait's security, Chien Fu said: This is not the real issue even though we think it certainly is a good thing that the United States has expressed concern for the Taiwan Strait's security. He reemphasized the view that he had stressed time and again in the past that we should count on our own efforts in ensuring our own security, and that we should not give the enemy an excuse to use force by creating tensions in the Taiwan Strait.

Chang Hsiao-yan stressed: The majority of overseas Chinese do not support the Chinese communists' moves to escalate tensions in the Taiwan Strait. With the exception of those who are ultra-left, nobody endorses the Chinese communists' military threats. He estimated

that the situation in the Taiwan Strait is not as tense as some people think. He said: "If I have money, I am going to buy some long-term stocks now."

Taiwan: Interview With Chien Fu on War Threat
OW1502063096 Taipei TZU-LI WAN-PAO in Chinese
 10 Feb 96 p 3

[By reporters Lin Sen-hung (2651 2773 7703), He Kuo-hua (0149 0948 5478), Chen Wei-hsin (7115 4850 2450), and Yu Hui-chien (2456 1974 1017)]

[FBIS Translated Text] Editor's note: Prior to leading the Foreign Affairs Ministry and becoming the speaker of the National Assembly, Chien Fu [Fredrick Chien] had an exclusive interview with this paper's reporters. He talked freely on the mass media's joke concerning the 400,000-man military exercise to be held by the Chinese communists, the practicability of an united cabinet by the opposition parties, and the rumor on not getting along well with the presidential office. His sincere remarks have for the first time revealed many things which were never reported by mass media. [end editor's note]

[TZU-LI WAN-PAO] Recently, the mass media has constantly made reports on military exercises to be held by the Chinese communists. It appears that tension between the two sides of the Taiwan Strait has become fiercer. How should the government deal with the matter?

[Chien Fu] I believe there are some false elements and some real elements. The false things include a report by THE NEW YORK TIMES on 25 January saying the Chinese communists want to use force to intimidate Taiwan by firing one missile a day. The Ministry of Foreign Affairs sent three groups of people to ask Mr. Fu Li-min [Freeman]. He said how could he say such things, pointing out they were fundamentally wrong.

At a White House forum early in January, Freeman noted that he has recently visited the mainland several times. Since he was an assistant secretary of the Department of Defense, he had made acquaintances of many military personnel of the [Chinese] mainland. He asked a cadre at the medium lower level [zhong xia jie ji 0022 0007 7132 4787] what methods would be used in using force against Taiwan. The cadre said that using force would depend on all kinds of circumstances [chang jing 1034 2529] (scenarios) [English word as published] and all kinds of contemplated situations, including the firing of one missile a day.

Freeman said he mentioned all circumstances and scenarios but those taking part at the forum selected and revealed the most absurd thing. This was why THE NEW

YORK TIMES made an erroneous report. Therefore, this is false.

Likewise, the report on a military exercise with a force of 400,000 troops carried by SING-TAO JIH-PAO was also a false report. Can't satellites detect the movement of 400,000 troops? Now satellites can detect all kinds of things. Won't we know? This is not true. The report was made because the mass media likes sensation [English word as published] and excitement.

The Chinese Communists Cannot Use Force Without a Reason

We cannot deal with illusions. If we take actions based on false things, it will mean dancing with a magic wand [gen mo gui di bang zi qi wu 6418 7621 7607 4104 2761 1311 6386 5294]. This is not right.

At two recent news conferences, I mentioned what constitutes tangible things. All military actions in the world have reasons. I have clearly seen what the real things are. I believe that there will be no problem. The Chinese communists have said very clearly that they will use force under three circumstances, namely foreign intervention, Taiwan independence and serious disorder within Taiwan. Now our government has not deviated from the course, and the Chinese communists have no reason to use force. This is the first point.

Second, it is a political hot season now. I have heard many opinions. Some people say why the government takes no action and does not request outside assistance. The government's top priority is to avoid the outbreak of war and things which will hurt people's safety and endanger national survival or economic prosperity. If the government requests outside assistance when things happen, we would have been hurt already. Now many people have mentioned why the Ministry of Foreign Affairs does not ask America to say "if the Chinese communists use force, the United States will help." This is useless because it will mean attending to the superficial and neglecting the essentials [she ben zhu mo 2202 2609 6632 2608].

I mentioned the "real thing" means we control our own security ourselves. We should not do things that are wrong. The government must correctly guide the way and this is the most important thing. Today many people say I am the only one who does not worry. This is quite unfair. How can I publicly say I have asked other people to help us! However, all places in the world are speaking for us today. I would rather say they voluntarily speak for us, not owing to my efforts [yun zuo 6663 0155].

The Greatest Crisis Between the Two Sides of the Strait

[TZU-LI WAN-PAO] Do you think there is a crisis between the two sides of the strait or not?

[Chien Fu] Whether there is a crisis or not depends on one's view from different angles. The Chinese communists' various actions have different targets. Some targets are directed at us, and some targets are directed at the United States.

Those situations are due to political instability on the mainland. What really worries us is the crisis of internal political power struggle on the mainland. We hope the mainland will be led by people with sense, but we cannot control this.

There Are Prerequisites for High Level Political Dialogues Between the Two Sides of the Strait

[TZU-LI WAN-PAO] Do you think the two sides of the Taiwan Strait should hold high level political dialogues after the presidential election?

[Chien Fu] I cannot forecast how to implement the program for national reunification after the presidential election. According to the current program for national reunification, there is a set course. We must complete the program step by step. Therefore not it will not make a difference whether we hold elections or not.

High level conferences are not a simple thing. Without good preparations at the working level, high level conferences often lead to disaster, a disaster [English word as printed]. This is my belief which has never changed during my 30 years of service in foreign affairs. In any meeting of heads of state [guo jia yuan shou 0948 1367 0337 7445] of two countries, the subordinates must first have scripts prepared. The leaders can then beautifully and smoothly read those scripts. Conversely, if one side puts forward questions and the other side does not know what to do, the situation will be very awkward. Because we have made many arrangements for high level mutual visits, we know the work of subordinates is very important.

If we today just talk about making high level contacts in developing relations between the two sides of the strait without first resuming orderly and functional meetings, I think this is just like putting the cart before the horse.

The Constitution of the Republic of China Is Quite Strange

[TZU-LI WAN-PAO] You have taught constitution before. Would you talk about your views toward the third constitutional revision?

[Chien Fu] I think the constitution has important designs. First, it is the principle of balance, which is the system of countersigning. In other words, when the president issues any decree, it must be countersigned by the president of the Executive Yuan and the head of related departments. Second, it is the principle of collective responsibility. The entire Executive Yuan is to hold itself responsible to the Legislative Yuan.

During the last election, we talked about the situation in which none of the three parties can win a majority and may end up forming a coalition government. A coalition government may be formed in many countries which implement the cabinet system, but it cannot be implemented in our country under the current constitution. How can we form a coalition government? For instance, before the formation of a coalition government, two parties, three parties or more parties must sit down to discuss what to do in internal affairs, foreign affairs, national defense, financial and economic affairs as well as educational work. Then those jobs will be allocated to various parties for implementation according to the political program. However, there will be problems in implementing the system. There may be different opinions between the premier and vice premier, between the premier and ministers and between different political parties. If we cannot reach a common understanding, we have to change leaders and will have disputes. There are two ways to solve disputes, namely asking cabinet members or their party to withdraw from the government or using the drastic measure of dissolving the parliament. Therefore, in order to practice the cabinet system and form a coalition government, we must first have the power to dissolve the parliament. Now we do not have this power. Under such circumstances, if we form a coalition government and do not implement the political program, the government will be crippled until the next election. So the current constitution of the Republic of China is in fact quite strange. There is no such constitution in other countries.

I think the constitution itself must be workable. Now we have some arguments a few months before the election. The public must understand the situation, and the mass media should play an important role in calling on the people to have a common understanding in certain issues. In this way, things can be done smoothly. The current situation was due to the fact that the Legislative Yuan and the National Assembly lack a common understanding.

Being in Full Control of Foreign Affairs

[TZU-LI WAN-PAO] It was said that there were different views between the Ministry of Foreign Affairs

and the presidential office. The president is in fact leading the pragmatic diplomacy. What is your opinion?

[Chien Fu] For a long period, our own people like to pick bones from bean curd [find nonexistent things]. In fact, I have assumed the position for six years under the administration of President Li. I can proudly say that I am the 10th foreign minister and the 11th appointment made by the government since it moved to Taiwan. Premier Lien was appointed before me. He was the ninth foreign minister and the 10th appointment made by the government. The power entrusted to our previous foreign ministers in handling foreign affairs by the higher authorities was not as great as the power Premier Lien and I were entrusted with. During the 46 years, we have been foreign ministers for eight years. In these eight years, the Ministry of Foreign Affairs had power to control foreign affairs far greater than the previous 38 years. However, no one raised this issue in the past 38 years. I personally think there is no problem between the Ministry of Foreign Affairs and the government.

The President Will Not Visit the United States for the Time Being Before Changes in the Objective Situation

[TZU-LI WAN-PAO] Will President Li visit foreign countries after the presidential election while taking cross-strait relations into consideration?

Chien Fu: Minister Chang Hsiao-yen of the Overseas Chinese Affairs Commission went to see and received instructions from the president before leading a delegation to attend the White House breakfast meeting. President Li has no plan to visit the United States in the near future.

Will he visit in the four years of tenure of presidency? I think this is a long period and it is impossible to predict at this moment. We can say that before the change of objective situation in the foreseeable future, President Li doesn't plan to visit the United States. However, if the objective situation changed, we of course will not bind our own hands and feet.

Taiwan: PRC To Hold Military Exercises on Pingtan Island

OW1502114796 Tokyo KYODO in English
1128 GMT 15 Feb 96

[FBIS Transcribed Text] Taipei, Feb. 15 KYODO — Military exercises China proposes to stage close to the time of Taiwan's presidential election in March will be held on Pingtan Island, near Taiwan's defense perimeter, Taiwan's CHINA TIMES said Thursday [15 February].

The island, part of Fujian Province, lies between the two island groups of Matsu and Quemoy, also known as Mazu and Jinmen, which are close to the Chinese mainland but are under the control of Taiwan.

It is closest to the Mazu Island group, which borders it to the north, and is about 150 kilometers west of mainland Taiwan.

In late November, China's military held large-scale land exercises on Dongshan Island, south of Jinmen Island.

Because Pingtan Island is small, the exercises will of necessity be limited in scale, but the CHINA TIMES quoted Taiwan's general staff headquarters as saying some elements of the exercises are undecided.

The paper said the exercises will be held "in spring," which would place them some time after the Chinese New Year beginning this year on Feb. 19.

Another Taiwan paper, UNITED DAILY NEWS, said the exercises would begin after Feb. 21.

Taiwan will hold its presidential election on March 23.

The general staff headquarters considers the exercises could affect the normal supply of goods to nearby islands under Taiwan's control, media reports said.

Chinese leaders have been alarmed by recent moves by Taiwanese leaders, including a private visit by Taiwan President Li Teng-hui to the U.S. last June, to seek a greater international role for Taiwan, which China considers a renegade province.

Taiwan: Ministry Confirms PRC Forces Moving to Coast

OW1402145896 Taipei LIEN-HO PAO in Chinese
10 Feb 96 p 1

[FBIS Translated Text] The Defense Ministry on 9 February confirmed that since 8 February the Chinese Communists have been moving troops to the southeastern coast of the mainland facing Taiwan, adding that we are closely monitoring their movements. As for whether the Chinese Communists will hold large-scale military maneuvers beginning today, as reported by Hong Kong newspapers, an official of the Defense Ministry noted that to protect secrets, he had no comment on this. In connection with a report by Japan's NHK that the U.S. aircraft-carrier Independence will patrol the Taiwan Strait in the near future, the official said he had not heard any such news.

A news release from the Military Spokesman's Office of the Defense Ministry yesterday said there is no sign of large movements of Chinese Communist troops on the southeastern coast of the mainland facing Taiwan, but beginning 8 February there were signs that the

number of troops of the three services has increased along the southeastern coast, adding that the Defense Ministry is closely monitoring their movements. A relevant official pointed out that the Defense Ministry had determined, according to intelligence information, that there have been signs of Chinese Communist troop increases in Fukien [Fujian] Province, but there have not been large-scale increases, and that the upcoming military maneuver should be a regular one. It has been reported that a U.S. fighting detachment including the aircraft carrier Independence will patrol in the vicinity of the Taiwan Strait around the time of the presidential elections in March to counter the Chinese Communists' attempt to affect Taiwan's elections by means of military maneuvers. An official of the Defense Ministry said that what the Chinese Communists fear most is U.S. meddling in the Taiwan issue. Regarding the report on the U.S. aircraft carrier sailing to the vicinity of the Taiwan Strait, the official said it is not appropriate for our side to make any comment, as we do not want to make the cross-strait tension more complex. Besides, as imports of energy and industrial raw materials to neighboring Japan must pass through the South China Sea and the vicinity of Taiwan, Japan also pays much attention to the Chinese Communists' every move.

Yesterday, the spokesman's office also indicated that regarding the movements of Chinese Communist troops, the Defense Ministry will take the initiative to report to the public further information on their movements to free the public from doubts and misgivings provided the release of such information will not harm national security. It has been learned that it is expected that there will be frequent verbal attacks and military threats by the Chinese Communists during the presidential elections. The Defense Ministry, following the practices of other government departments, will respond immediately at a fixed time on a daily basis to relevant military reports or to Chinese Communists' movements by providing "background explanations" or clarification. Defense Minister Chiang Chung-ling has directed the General Political Warfare Department to study and take charge of this task.

**Taiwan: Perry Wants Peaceful
Beijing-Taipei-Washington Ties**

OW1402231396 Taipei CNA in English
0844 GMT 14 Feb 96

[By Bill Wang]

[FBIS Transcribed Text] Washington, Feb. 13 (CNA) — US Defense Secretary William Perry said Tuesday [13 February] that while it is ultimately the responsibility of

both Beijing and Taipei to build healthy relations, it is in the abiding interest of Beijing, Taipei, and Washington that their relations maintain a healthy, peaceful course without provocation or overreaction by any capital.

Perry told participants in a symposium on "US-Japan-PRC Relations: Foundation for a Stable Pacific Community?" sponsored by the National Defense University here that it is also in their interest for Beijing to follow its maxim of patience and caution in its dealings with Taiwan.

Perry said that US policy accepts Beijing at its word when it says that it wants to become a responsible world power, but the communist regime sends quite the opposite message when it conducts missile tests and large military maneuvers off Taiwan, when it exports nuclear weapons technology or abuses human rights.

He said that it is time for Beijing to send the right message, adding that the United States has tried hard to send to Beijing the right message. "For example, we have reaffirmed that we have no intention of advocating or supporting a policy of two Chinas, or a policy of one China, one Taiwan."

He said that Washington's policy is one China policy which rests on three legs. "First leg, Washington-Beijing relations built around constructive engagement and based on the Shanghai communiques; Washington-Taipei relations which include helping Taiwan defend itself as called for in the Taiwan Relations Act; and the promotion of a healthy Beijing-Taipei relations based on increased trade, investment and other peaceful activities across the Taiwan Straits, which benefit the regional economy in unity."

Inherent in each leg, he went on, is dialogue, which serves to diminish tension, missteps and misunderstanding over perceived slights or unwelcome actions, benefiting the regional peace and regional stability.

The secretary said that since the end of World War II, primary US emphasis has been on preventing and deterring, rather than fighting, [words indistinct] war, and preventive defense in the Asian-Pacific region is based on four pillars: alliances with Japan and Korea, regional confidence building, constructive engagement with Beijing, and the nuclear framework agreement with North Korea.

He expressed the belief that the time has come for the defense leaders of the Asian and Pacific region to begin forming their own web of security ties. "I suggest we consider convening a defense ministerial of the Asian Pacific region modeled after the meeting (of defense ministers from all 33 democracies of the

Western hemisphere) which we held last summer in Williamsburg."

He said that he is always looking for ways to advance security dialogues among defense and military establishments all over the world and at all levels, believing that the web of official and personal ties that these dialogues create build trust, understanding and cooperation.

Taiwan: Perry Warns Beijing Against 'Provocative Acts'

*OW1402231496 Taipei CNA in English
0902 GMT 14 Feb 96*

[By Bill Wang]

[FBIS Transcribed Text] Washington, Feb. 13 (CNA) — A Defense Department spokesman Tuesday [13 February] reminded Beijing that Defense Secretary William Perry spoke earlier in the day against provocative acts in the Taiwan Straits, expressing the belief that if Beijing carries out a military exercise in the area, it will be carried out with good judgement and dispatch.

Kenneth Bacon told a regular press briefing that there have been reports of mainland Chinese troops and military equipment moving which "leads US to believe that there will be a large military exercise in the area."

"We are positive that this will only be a military exercise, and we assume that it will be carried out with good judgement and dispatch, if it is carried out."

Meanwhile, the US Pacific Fleet said that there is no plan for the US aircraft carrier independence battle group to sail into the Taiwan Straits in the near future as indicated by press reports.

Lt. Com. Jeff Alderson, spokesman for the fleet, reached by telephone, told CNA that the carrier group is currently engaged in an exercise off Korea, and there is no plan for the group to steam through the waterway that divides Taiwan and the China mainland.

Earlier, Bacon told a regular press briefing that US naval ships pass frequently through the Taiwan Straits.

However, he went on, aircraft carriers do not go through the straits as often because the waterway is narrow, and carriers have to discontinue flight operations when they are in the straits. "Aircraft carriers generally don't like to do that; they like to exercise as much as they can when they're underway."

So unless there are weather or other problems, he said, carriers typically do not cut through the straits. But since it is faster to go through the straits, he added, sometimes they do, depending their schedule.

Taiwan: Perry Again Urges PRC To Exercise Restraint

OW1502091696 Taipei CNA in English
0856 GMT 15 Feb 96

[By Bill Wang]

[FBIS Transcribed Text] Washington, Feb. 14 (CNA) — For the second day running, U.S. Defense Secretary William Perry Wednesday [14 February] called on Beijing to refrain from menacing military maneuvers directed at trying to intimidate Taiwan.

Fielding questions after giving a speech at the National Youth Leadership Forum on Defense, Intelligence and Diplomacy here, Perry denied that a speech he delivered Tuesday at the National Defense University was intended to harden Washington's policy toward Beijing. In that speech, the secretary warned Beijing against provocative actions in the Taiwan Straits.

Perry told youth leaders that his speech was intended to define what he called a policy of constructive engagement with Beijing, a policy which has been followed by the U.S. Government all along.

However, Perry emphasized, engaging Beijing is not at any price. "And I called on the Chinese to reciprocate and, in particular, to refrain from menacing military maneuvers directed at trying to intimidate Taiwan."

He said he believes that it is in the interest of the both sides of the Taiwan Straits [words indistinct] differences peacefully. "I think it is crucially important that they get back to what they were doing a year or two ago, which was beginning the trade, increasing the trade between their two countries, increasing the exchange of people."

Perry also emphasized that the United States are not removing or reducing its 100,000 military forces in the western Pacific, saying that this forward deployment of American military forces has been a great factor in the peace and stability of the region.

PRC: Regular Meetings of Asia-Pacific Defense Chiefs Welcomed

OW1502034696 Taipei CNA in English
0202 GMT 15 Feb 96

[By Lilian Wu]

[FBIS Transcribed Text] Taipei, Feb. 14 (CNA) — Foreign affairs officials said Wednesday [14 February] that they welcome the proposal by US Secretary of Defense William Perry that the defense chiefs of Asia-Pacific nations meet regularly.

Perry said at National Defense University in Washington, D.C. on Tuesday that Mainland China, Japan, the

United States and other Asia-Pacific nations should meet regularly to promote understanding and head off military crises.

Perry did not propose a place or time for such a meeting, but ROC [Republic of China] foreign affairs officials said they will study the feasibility of the proposal.

The officials said, however, that the government welcomes any plan that will help promote security in the Asia-Pacific region, but that whether the proposal can get off the ground depends on the reactions of other countries in the region.

The officials said they believe this kind of dialogue would help ease tensions in the Asia-Pacific, adding that Perry's suggestion means the US has realized that tensions in Asia-Pacific region have arisen and need to be addressed.

The officials noted that Perry's proposal comes at a time of rising tensions between the two sides of the Taiwan Strait, and [words indistinct] between Japan and South Korea [words indistinct] group of islands both claim sovereignty over.

They said the US wants such disputes resolved before they escalate, so that stability and economic prosperity in the region are not affected.

The officials noted that Taiwan has been barred from joining such major multinational forums such as the ASEAN regional forum (ARF) to discuss matters concerning Asia-Pacific security, due to opposition by Beijing.

Whether Asia-Pacific defense chiefs can meet as Perry proposed also hinges on the attitude of Beijing, they said.

They said that most Asia-Pacific nations want the US presence in the region to continue, so that peace and stability in the region are maintained.

Taiwan: Trade Officials 'May' Attend Cross-Strait Talks

OW1402130196 Taipei CNA in English
0942 GMT 14 Feb 96

[By Flor Wang]

[FBIS Transcribed Text] Taipei, Feb. 14 (CNA) — Economic Affairs Minister P.K. Chiang said on Wednesday [14 February] that ROC trade officials may take part in future negotiations with Mainland China in their capacity as advisers.

As trade issues are the centerpiece of cross-strait relations, the government may consider including trade officials in talks with Mainland China, Chiang said.

Chiang's remarks, which have been seen as "very creative" in government's position in its dealings with Mainland China, came after a newspaper report on Tuesday that he may take over the post as chairman of the Mainland Affairs Council. Chiang denied the report.

Noting that Taiwan's agricultural and trade officials have already taken part in substantial negotiations with Britain, Germany and the United States, Chiang said future cross-strait talks can be modeled after that fashion.

Taiwan: Task Force To Handle Cross-Strait Contingencies

OW1402133896 Taipei CHUNG-KUO SHIH-PAO
in Chinese 10 Feb 96 p 10

[FBIS Translated Text] Taipei — Kao Kung-lien, acting chairman of the Mainland Affairs Council (MAC), disclosed yesterday that in view of the possible effects of the Chinese Communists' continuous "assault by pen and intimidation by force" against Taiwan, the government's top policy-makers recently inaugurated a supra-departmental "special task force on cross-strait relations" especially to take charge of handling contingencies of effects on our country's political, economic, and social life caused by recent changes in the situation across the strait. He expressed the belief that the Chinese on both sides have the wisdom to solve the current dispute across the Taiwan Strait through peaceful means.

He also confirmed: After comprehensively studying the latest intelligence obtained by the government's policy-making department as of noon yesterday, it has been determined that the Chinese Communist military recently indeed made some "small-scale movements" that still cannot be called a large-scale military exercise. There will not be a "military exercise involving 400,000 troops," as reported by Hong Kong media recently. However, he added: "Studying and judging Chinese Communist military maneuvers is like forecasting weather. Any prediction could be wrong."

Kao Kung-lien made the above remarks yesterday when discussing how the relevant government departments were coping with recent changes in the situation across the strait at the MAC's routine news briefing. However, he refused to identify the special task force's title and code name, participating units and departments, and specific members.

When asked by a reporter about the basis for the MAC's appraisal of the Chinese Communist military exercises and movements and the scale and number of troops taking part in the latest exercise, Kao Lung-lien only said that there had been "small-scale movements" and

that the "number of troops was very small." However, he added, the government policy-making department's special task force has been in constant operation. In view of the possible effects on various sectors of the military exercises, the MAC has coordinated the relevant departments in working out contingencies. However, he said, "The intelligence source should be kept secret; it is not good to disclose too much."

Kao Lung-lien said: The phenomenon of Hong Kong media's continuous reports on the Chinese Communist military's exercises off Taiwan is, simply put, like the mainland doing "business that requires no capital." This is because whatever Chinese Communists say at random will be given extensive coverage by overseas media, which the Communists are not held responsible for. People in Taiwan should be aware of this phenomenon.

Taiwan: MAC Refutes Wang Daohan's 'Two Chinas' Allegation

OW1502033996 Taipei CNA in English
0141 GMT 15 Feb 96

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, Feb. 14 (CNA) — The Mainland Affairs Council (MAC) on Wednesday [14 February] refuted allegations made by the top mainland Chinese liaison officer that Taiwan's efforts to upgrade its international profile are aimed at creating "two Chinas" or "one China, one Taiwan."

"Our efforts to seek greater room in the international community are necessary for our country's survival and continued development," acting MAC Chairman Kao Koong-lian said.

Kao was responding to statements made by Wang Daohan, chairman of the Beijing-based Association for Relations Across the Taiwan Strait (ARATS), on Tuesday that Taiwan must stop what he called its effort to create "two Chinas" or "one China, one Taiwan," and return to the so-called "one China" policy in order to create the proper political atmosphere for the resumption of cross-strait talks.

Kao said Wang's allegations were unfounded and unacceptable, stressing that the ROC [Republic of China] Government continues to strive for the ultimate national goal of promoting China's eventual reunification through peaceful means.

"While pursuing pragmatic diplomacy to secure a decent place in the world community, we'll never change our unification policy," Kao said.

He also urged Mainland China not to conduct military exercises at "sensitive moments" in order to avoid damaging cross-strait relations.

The mainland military staged two massive military exercises, including missile tests and live shelling, in waters near Taiwan in July and August last year, and is reportedly preparing to conduct another round of military maneuvers along its coastline facing Taiwan just before Taiwan prepares to hold its first direct [words indistinct]

Kao also appealed to ARATS to resume its regular talks with Taipei's Straits Exchange Foundation (SEF) in accordance with their previous agreement.

Cross-strait relations soured after ROC President Li Teng-hui made a landmark visit to the United States last June. Beijing considered Li's visit a move to promote Taiwan independence, and conducted two large military exercises to intimidate Taiwan, in addition to unilaterally suspending the SEF-ARATS talks, which [words indistinct] conducted on a regular basis for two years prior to Li's US visit.

Both the SEF and ARATS are quasi-official, intermediary bodies established by their respective governments to deal with nonpolitical cross-strait issues in the absence of official ties.

Taiwan: Li Teng-hui, Lien Chan Visiting Kinmen, Matsu 15 Feb

OW1502120096 Taipei China Broadcasting Corporation News Network in Mandarin
2300 GMT 14 Feb 96

[From the "Hookup" program]

[FBIS Translated Text] At a time when tension has heightened in the Taiwan Strait because of the Chinese Communists' military maneuvers, Li Teng-hui and Lien Chan, presidential and vice presidential candidate of the Kuomintang (KMT), will visit Kinmen and Matsu separately today for campaign purposes. It has been learned that in addition to attending the inauguration of the campaign headquarters there, Li Teng-hui and Lien Chan will inspect local construction, and speak to officers and soldiers on the frontline in the name of the president and premier of the Republic of China in order to reassure the public.

The president arrived in Kinmen by special plane this morning in the company of Wu Po-hsiung, Hsu Shui-te, Hsiao Wan-Chang, and other important campaign assistants, while Lien Chan arrived in Matsu by ship last night, accompanied by Defense Minister Chiang Chung-ling; Wang Jen-hung, chairman of the Research, Development and Evaluation Commission under the

Executive Yuan; and Yang Shih-chien, political vice minister of economic affairs. This is the first time Lien Chan has visited Matsu since he assumed the post of premier. Besides participating in the inauguration of the campaign headquarters, he will inspect local construction and address officers of the Matsu Garrison as chairman of the Executive Yuan.

***Taiwan: Misgivings About Lin-Hao Ticket Noted**

96CM0125A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese 25 Nov 95
No 454, pp 36-37

[Article by Chi Yen-ling (4764 1693 7117): "Lin Yang-kang Is Leading the Right-Wing Alliance Down Its Last Road of Revolution"]

[FBIS Translated Excerpt] After two failures in seeking out a [presidential] running mate, Lin Yang-kang has finally found his political mate. In the Lin-Hao political marriage of civilian to military, the bugle call has replaced the marriage march, with these two old revolutionary partners of similar bent now joining hands to travel a revolutionary road of no return.

Just as marriages are made in heaven, so was the Lin-Hao alliance.

Lin Yang-kang has painstakingly maintained a lukewarm and safe relationship with the KMT's [Kuomintang] extreme right-wing forces in recent years, which was aimed at keeping from "getting cornered," to leave him room for maneuvering.

Consequently, when searching for a running mate, Lin Yang-kang twice made overtures to KMT moderates, in an attempt to team up with the two less factional moderates Chen Lu-an and Chang Feng-hsu, both of which failed.

Once his overtures to the moderates failed, the solitary Lin Yang-kang was forced to change his tactics, giving up his long-standing principle of "keeping a distance in the interests of safety," by sending an SOS to the KMT right-wingers. Who would have guessed that in the presidential campaign, the right-wing army that had been holding back its forces with a wait-and-see approach would not only take in Lin Yang-kang, but even send an extreme right-wing four-star general as its commander in chief to form an alliance with him against Lee Teng-hui.

But as this anti-Lee army commanded by Lin and Hao looked ahead as far as it could to see nothing but yesterday's diehards and out-of-date politicians, the remnants of the KMT's old forces could be said to have congregated around them. As almost all of the

key figures in the Lin-Hao alliance were involved in the March political rivalry of six years ago, the former palace play may have become the current political campaign, but the same old players are still involved in the power struggle, which has not changed at all. While the subject of criticism of that old power struggle was its political restoration, its replay involves additional new terminology such as "protecting the country" and "protecting the party," giving it seemingly an even stronger flavor of restoration.

This is the first misgiving about the Lin-Hao alliance.

Lin Yang-kang's alliance with the right-wing conservatives has been described as a case of "the turn of the screw," as such an alliance not only proves that Lin Yang-kang's political might is limited, but also leaves many with another misgiving that such an alliance grounded in "mutual entreaty" and "suspected motives" might deteriorate once the presidential campaign really gets underway.

The Lin-Hao alliance now seems to be commanded by Lin Yang-kang, as Hao Po-tsun is now also certainly — as described by Lin Yang-kang — "respecting the system and strictly observing the limits," willingly serving as deputy commander, and even assiduously walking the prescribed one pace behind Lin Yang-kang.

But as the alliance's key forces are all members of Hao's military past, Lin Yang-kang's greatest future voting strength is also controlled by Hao's military following. In addition, Hao Po-tsun's strong political features of being "from another province," having been a "military leader," and favoring "a greater China," as well as his character traits that show forth everywhere involuntarily with high-handedness, temper, and outspokenness, are nearly about to turn Lin Yang-kang in comparison into a featureless figure.

Chen Shui-pien describes the relationship of the "Lin-Hao ticket" as "Lin Yang-kang plus Hao Po-tsun equals Hao Po-tsun." Some characterize the standoff of the "Lin-Hao ticket" and the "Lee-Lien ticket" as in fact "a continuation of the unfinished struggle of six years ago between Lee Teng-hui and Hao Po-tsun," "with Lin Yang-kang bound to play only a minor role in the Lee-Hao struggle." Many others suggest that "Lin Yang-kang is likely to become bound and gagged by Hao Po-tsun's ideology" to lose his independence, leaving the Lin-Hao relationship to eventually, even possibly ending, with a case of "the star eclipsing the sun," with the military figure overshadowing the civilian one. All of these are certainly not just cases of malicious instigation and sowing of discord, or of entertaining groundless fears, but rather certain rational deductions derived from empirical fact.

Many others predict that the Lin-Hao alliance will result in intensifying the provincial-origin antagonism and unification-independence standoff, even to the point of "the alliance of these two figures leaving 20 million Taiwanese divided."

While Lin Yang-kang has repeatedly criticized such talk as deliberate mudslinging, the near occurrence of violence between the unification and independence factions right after the press conference to formally announce the "Lin-Hao ticket" shows obviously that such predictions and misgivings are certainly not groundless. That scene [of near violence] outside the National Treasure Hotel was in fact nothing more than the prelude to a coming "general confrontation" and "standoff."

In particular, the campaign platform set forth by the Lin-Hao alliance of "peace vs war," democracy vs dictatorship," and "protecting the country vs betraying it," which was equivalent to setting the keynote of its presidential campaign, will unavoidably turn the presidential election into "a high-key one." And in such a high-key campaign, the opposing sides will unlimitedly polarize their stands and intensify their debates, leaving moderate discussions and positions with no room to survive.

In light of Lin Yang-kang's initial attempt to find a moderate running mate, as well as Hao Po-tsun's repeated vacillation before he decided to join Lin's ticket, to which his family was firmly opposed, that proves that even Lin and Hao themselves have misgivings about the national-origin and unification-independence issues, so that their insistence on controlling others' mudslinging and misgivings obviously involves some self-deception.

There are some people who, just standing there like speechless and immobile statues, can still become targets that touch off controversy or create dissension, which is precisely the kind of person that Hao Po-tsun is. Meanwhile, as he is still a vivid old battlefield general full of the will to fight, while others may not see him as a target, he is still capable of charging into battle with drawn sword to capture the prize. So the "Lin-Hao ticket" is going to bring confrontation and polarization over the provincial-origin and unification-independence issues, which is probably already predestined beyond anyone's control. [passage omitted]

***Taiwan: Premier Knowledge of Political Science Criticized**

96CM0125B Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese 4 Nov 95 No 451, p 60

[Article by Chi Yen-ling: "Premier Lien Has Actually Forgotten All of the Political Science That He Studied So Hard To Earn His PhD"]

[FBIS Translated Excerpt] Chicago University has a world-class Political Science Department, one of whose outstanding alumni is Lien Chan. So while he ought to be very well trained in democratic politics, since Dr. Lien has become Premier Lien, he often seems to have forgotten completely what he studied in Political Science 101.

In a democratic country, while a head of state is legally guaranteed special privileges not enjoyed by many, no country's laws provide that a head of state enjoys the special privilege of being exempt from criticism. In any political science text, such a special privilege is a topic that essentially does not exist.

But Lien Chan with his Chicago University Political Science PhD actually said recently in the LY [Legislative Yuan] that "as the head of state represents the nation, he should not be criticized in the halls of Congress or in any other situation." As Lien Chan was born into a politician's family, studying political science in his youth, teaching it in his middle-age, and practicing it subsequently, having been involved in politics all his life, who would have thought that after all these decades he would actually have said such an undemocratic thing.

While showing respect to a head of state is a basic courtesy, criticism is certainly neither disrespect or opposition, and even opposition to a head of state is normal democratic behavior not to be surprised at.

If Lien Chan's view that "a head of state should not be criticized" is correct, then the political history of every country in the world would have to be rewritten. Britain's Madame Thatcher would probably still continue to be the Iron Lady' at #10 Downing Street, the United States' Nixon would not have been forced to step down in humiliation over the Watergate affair, Reagan would not have been troubled for so many years with rumors of Iran-Contra arms sales, Clinton's [marital indiscretion] rumors and Whitewater case would not have remained so long unfinished, and even Russia's Yeltsin would probably not have had the chance to replace Gorbachev.

These countries' cases show that if a head of state enjoyed the right of exemption from criticism, with no media, congressional, or political opponent criticism, then a head of state's shortcomings such as lies,

corruption, degeneracy, and incompetency would never be exposed, overseen, corrected, or even punished. That would mean despotic dictatorship, which is absolutely counter to democratic politics.

In despotic dictatorial governments, from the ruler to the ministers to the public, all believe that "the king never errs," just as a religious believer cannot doubt God's infallibility. Without a doubt, there can naturally be no criticism which, if there were, would certainly be heresy and malicious slander.

Lien Chan quoted Hu Shih's statement that "tolerance is more important than freedom" — which in fact was a famous statement of Hu Shih's professor at Cornell, G. L. Burr — as a strong footnote to his statement that "a head of state should not be criticized." But that article entitled "Tolerance and Freedom" that Hu Shih published 37 years ago in the magazine FREE CHINA also included the following statements:

—As a political group always believes that its own political stands are right and never wrong, it invariably holds that political views different from its own are necessarily wrong and hostile.

—The "I cannot be wrong" mindset is the root of all intolerance. If I profoundly believe that my own convictions are infallible, then my views are "correct," and all opposed to me are naturally "heretics."

—If we want others to tolerate and understand our views, we must first cultivate the magnanimity to tolerate and understand others' views. . . not recognizing "absolutes," and even less so "holding that our views are absolutely right."

Comparing these statements by Hu Shih to current Taiwanese politics shows that the ones who need to learn tolerance are in fact the authorities who are now in power. Lien Chan's opposition to criticism of a head of state, as well as the LY debate over who is really in charge, the criticism that "it is irrational for the guest to suspect the host and the younger generation to suspect the older one," and Lee Teng-hui's personal belief that Legislator Su Chih-cheng [5685 1807 6134] should be subject to a mental examination for his satirical criticism of the president, are all specific cases of "intolerance." Which is illustrated precisely by Lien Chan's statement that "whoever obeys me will prosper, but whoever betrays me will perish."

So while Taiwan's political culture is already subject to the antidemocratic phenomenon of the head of state "issuing orders that all must obey and making statements that all have to agree with," the scholar-politician

Premier Lien may do all possible to defend Lee Teng-hui, but will never be able to forget that he is still a doctor of political science. [passage omitted]

***Taiwan: Vestiges of Legal Inertia in the National Assembly**

96CM0128A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese 25 Nov 95
No 454, pp 82-83

[Article by Yang Chao (2799 3564): "Access to a Policy-making Stepping-Stone Turns Into an Obstacle to Movement"]

[FBIS Translated Excerpt][Passage omitted]

It is an indisputable fact that the standing of the National Assembly in Taiwan's political structure is way down. As far as the public is concerned, the rationale for the existence of the National Assembly is essentially unconvincing, leaving it to have become a pure vestige of "legal inertia." The National Assembly has not yet been abolished merely because no other structural procedure has yet been found that does not affect other vested interests, certainly not because the National Assembly per se has any substantial function.

With a body without substantive functions steadily losing its public legitimacy, and its visibility correspondingly fading, the most crucial thing is that its organic ties to other political entities are also steadily loosening.

In the four years from 1991 to the present, the National Assembly has seemingly been unable to establish any positive media image, with the impact produced on real politics by National Assembly delegates having steadily slipped to nearly nothing. While the National Assembly delegates have steadily won during their tenures salaries commensurate with those of the LY [Legislative Yuan] members, what they have never been able to win is public influence.

In the last two years, an exaggeration has circulated publicly that when a traffic accident occurs and those involved produce name cards stating their title of National Assembly delegates, the police pay absolutely no attention to them. The movement of political power implicit in this exaggeration shows clearly that the title of "National Assembly Delegate" has lost its significance in administrative favoritism and involvement.

The inability to gain favoritism or intervene in administrative operations means that the only profit in a "National Assembly Delegate" status is its accompanying salary and auxiliary fees. As to the current method of division of constituencies for the National Assembly delegate elections, almost all those in the local KMT [Kuomintang] system with enough might to be elected

as National Assembly delegates can easily win election to county and municipal legislatures. What used to lure such local political figures to enthusiastically campaign for "elevation" to National Assembly delegates was the "Central Government" status of National Assembly delegates, which enabled them to exploit their National Assembly delegate status by spreading their network of favoritism and involvement in political matters into central organs. But once they saw clearly that a National Assembly delegate was nothing but an "empty title," with no more capability of "involvement" in central organs, such local figures have naturally preferred to continue at the local level dealing with immediate and substantive local interests. [passage omitted]

***Taiwan: VP Candidate Hao's Political Strength in Military**

96CM0128B Taipei HEIPAI HSINWEN [TAIWAN WEEKLY] in Chinese 19 Oct 95 No 111, pp 31-33

[Article by Lin Cheng-hung (2651 2398 1347): "The Lin-Hao Ticket Is Failing To Win Military Votes"]

[FBIS Translated Excerpt] [Passage omitted] In light of the reality of the LY [Legislative Yuan] elections of three years ago that "attacking Hao Po-tsun won votes," it should be obvious that the native Taiwanese voters that might have supported Lin Yang-kang are being scared away. This article will explore the following questions: Can the Lin-Hao ticket win military votes? And if it can, how many?

The military vote is roughly in two parts, the war veterans and their dependents, and the active duty volunteer servicemen.

As to the Hao-family military might that Hao Po-tsun built up when he was serving as general chief of staff and defense minister, when Hao was promoted by Lee Teng-hui to premier, he was forced to give up his full general's title. Since Hao was forced out of his premiership in 1993, Lee Teng-hui has worked actively on the military, now having nearly disintegrated Hao's military might.

Hao Po-tsun's military might is still in the Army or among well-known lieutenant generals and generals. These include generals such as Chen Ting-chung [7115 1694 1404] who was born in Yancheng Jiangsu and is now Presidential Palace chief of staff, Presidential Palace strategy advisor Chou Chung-nan [0719 0112 0589], current Presidential Palace national policy advisors Chen Chien-kao [7115 1017 7559], Yen Pai-chien [6056 4102 6197], and Kuo Yun [2654 5366], strategy advisor Chao Wan-fu [6392 8001 1381] (with the above being Army generals), Yeh Chang-tung [0673 2490

2717) (Navy admiral), Chiang Jung-ling (Air Force full general and New Alliance member), Huang Hsing-chiang [7806 1630 1730] stationed in Greece (Army general), Hsia Tian [1115 3949] stationed in the Netherlands (Navy admiral), and Presidential Palace national policy advisors Liu Shu-hsi [0491 2562 2522] (Navy admiral) and Lin Wen-li [2651 2429 4409] (Aero Industry Development Center director and Air Force general). Except for Lin Wen-li and Chen Ting-chung who are still on active duty, all of the rest of these have left the military. There are two additional incumbent generals who were regarded as part of Hao's military might because they were born in Jiangsu, or Navy Commander in Chief Ku Chung-lien, and Air Force General Tang Fei [0781 7378] who is now vice chief of the general staff executive officer. But as these two generals are serving in different service arms than Hao did, with Ku Chung-lien being an acknowledged sworn brother of current Taiwan Governor James Soong, and Tang Fei having been resentful at Hao over the IDF [indigenous defense fighter] incident during Hao's tenure, while they were both born in Jiangsu, they are certainly not part of Hao's forces. While active duty Army General and Armed Forces University Commandant Cheng Pang-chih [4453 6721 3112] and Navy Admiral and Coast Guard Command Commander Wang Jo-yu [3769 5387 1946] were better qualified to be promoted by the Hao forces, having once been part of Hao's forces, they have both been incorporated into Lee Teng-hui's camp, so no longer support Hao.

As to lieutenant generals, Hao Po-tsun's current military followers include current Armed Forces University War College Director Hsu Po-sheng [1776 0590 3932], Eighth Army Vice Commander Liu Ning-shan [0491 1337 0810], Matsu Defense Command Commander Liang Shih-jui [2733 0013 6904], Military Law Office Director Wu Sung-chang [0702 2646 7022], Defense Ministry Standing Deputy Minister Chin En-ching [6855 1869 1987], Armed Forces Reserve Command Chief of Staff Tang Hsien-chih [3282 0341 2535], Air Force Logistics Commander Ting Tien-pin [0002 3240 3453], and Air Force Deputy Commander in Chief Hsia Ying-chou [1115 3467 3166]. As all of these once served as Hao Po-tsun's aide-de-camps or came from the same province as Hao, they are all probably generals who Hao Po-tsun particularly recommended for promotion. In addition to active duty lieutenant generals, the retired generals in Hao's camp include Lieutenant General Kuo Tien-yu [6753 1131 0147] who was General Affairs Department director when Hao Po-tsun was chief of general staff (currently Wang Yang-ming Foundation deputy acting director), Lieutenant General Lin Ke-cheng [2651 0344 2110] who is a Defense Ministry Military Purchases Department advisor stationed in the

United States, former Hua-Shih board chairman Lieutenant General Wu Shih-sung [2976 1102 1529], former Huang Pu-hsing secretary general Lieutenant General Chang Jen-chun [1728 0086 0193], former Combined Service Forces vice commander Lieutenant General Lo Wen-shan [5012 2429 1472], former Army Vice Commander in Chief Lieutenant General Mao Meng-yi [3029 1125 3354], former Coast Guard Command deputy commander Lieutenant General Tang Yuan-pu [3282 0337 2528], and certain nonmainstream military sponsors such as Chang Yen-nien [1728 1693 1628].

As to major generals, there are more from Hao's background, with the better known ones such as the pro-Hao Po-tsun Li Wen-chien [2621 2429 0051] and Chao Kan-cheng [6392 3227 2052] both having retired since Hao Po-tsun stepped down, and now both working for the Wang Yang-Ming Foundation. As to active duty major generals, the most notable are two contemporary Army General Headquarters department directors, or Major General Lai Tsung-nan [6351 1350 3948] who was an aide-de camp to Hao Po-tsun when he was premier and is now Army General Headquarters Intelligence Department director, and Major General Huang Ping-lin [7806 3521 7792] who was a Hao Po-tsun aide-de-camp and is now Army General Headquarters Planning Department director. Of these, Lai Tsung-nan's role is the most awkward. Lai Tsung-nan came out of the 37th Military Academy class, being a native Taiwanese general (from Tainan), who won Hao Po-tsun's respect when he was a colonel and brigade commander in the Cheng Kungling Division. When Hao became Premier, Lai became an aide-de-camp in charge of Hao Po-tsun's security, and was not treated shabbily by Hao. When Lai Tsung-nan was serving Premier Hao, Hao Po-tsun first promoted Lai to Army General Headquarters Intelligence Department deputy director, then to an major general position as deputy commander of the Army's 104th Division, from which position Hao insisted on promoting Lai out to a major general. Subsequently, Hao Po-tsun returned Lai Tsung-nan to the Army General Headquarters, by which time General Hao's political situation had started to slip. So while Lai Tsung-nan returned to the Army as a division commander, he served in that capacity in two successive divisions, and was subsequently demoted to commander of the Nankao Command. But later due to his good showing as a native Taiwanese Army officer, Lee Teng-hui finally abandoned his former doubts and promoted Lai Tsung-nan to Army General Headquarters Intelligence Department director, at which post he remains. [passage omitted]

In short, Hao's might in the military is mainly among retirees. As to active duty generals, due to Lee Teng-hui's many years of disposition, as well as to Hao Po-tsun's

career achievements in eight years of military command having aroused much criticism and resentment among military generals, of the current less than 700 active duty generals, lieutenant generals, and major generals, it seems that less than one-fifth (20 percent) are pro-Hao or likely to support Hao's election campaign. As to his overall might in the military, the pro-Hao forces account for only a small group of now retired generals. While some generals have threatened to not support Lee Teng-hui, they are still not going to vote for the Lin-Hao ticket, as they have the option to vote for Chen Lu-an. So the military vote trend is in fact certainly not one in which Hao Po-tsun merely needs to campaign to become an automatic vote-getter or whirlwind. At least, the KMT's (Kuomintang) Governor James Soong is still helping the Lee-Lien ticket win over military votes, and the building construction engineer constituency's sincere ranks are not attracting as many military votes as Chen Lu-an. So while the Lin-Hao ticket may be doing the most to attract military votes, it seems that Lin Yang-kang is losing popularity in central and southern Taiwan, as well as facing a crisis over not attracting as many military votes as anticipated. It seems that this state of affairs is certainly somewhat different from Lin Yang-kang's claim that he has the strength to win 3 million votes.

As to the war veterans and their dependents, the KMT's Huang Pu-hsing Party Branch General Secretary Hsiung Teh-chuan [3574 1795 6898] figures that by 1 January 1995, Huang Pu-hsing Party members numbered 238,000, or 580,000 if including dependents. As many as 1.02 million war veterans and their dependents do not live in dependent villages or belong to the Huang Pu-hsing Party branch. In addition, there are about 60,000 dependents of active duty volunteer military officers and men. So added together, these three, or the so-called military vote of around 1.66 million, make up approximately 10 percent of the over 14 million voters in the Taiwan region.

Before the KMT started to break up, the military vote was the KMT's greatest voting might, with a voting rate as high as 80 percent, or 1.2 million votes. But since the NP (New Party) was founded, that ironclad voting might has weakened. Taking the 1994 provincial and municipal legislative elections for instance, polls by the Huang Pu-hsing Party branch and the Military Dependents Service Office showed that NP-nominated provincial and municipal legislators attracted in 1994 about 730,000 votes, sapping around 50 percent of the KMT's ironclad military voting strength.

In other words, even without the Chen Lu-an and Hao Po-tsun factor, the military vote that could move or be lost had long since done so. When we add in the Hao

Po-tsun and Chen Lu-an factor, the KMT Huang Pu-hsing Party branch's own estimate is that it will affect at most 60,000-70,000 votes, meaning that a total of approximately 800,000 [military] votes will flow to the NP alliance of the Lin-Hao and Chen Lu-an camps.

Of these 800,000 votes, it is projected that Chen Lu-an will attract roughly 20-25 percent, or around 160,000-200,000 votes. If that projection is right, then the Lin-Hao ticket will win roughly 600,000-640,000 votes.

So with most of the military votes that the Lin-Hao ticket can win already leaning toward the NP, most of what Hao Po-tsun can add to his ticket's voting might are war veterans who may be discontent with Lee Teng-hui but are loyal to the KMT. As these amount to roughly 20,000-30,000 people, that is probably all of the positive assistance that Lin Yang Kang will get from Hao Po-tsun!

Taiwan: CNA Marks Transformation Into National News Agency

OW1502034096 Taipei CNA in English
0150 GMT 15 Feb 96

[By Lilian Wu]

[FBIS Transcribed Text] Taipei, Feb. 14 (CNA) — President Li Teng-hui said Wednesday [14 February] that the transformation of the CENTRAL NEWS AGENCY into a national news agency marks a milestone in Taiwan's journalistic history.

He made the remarks in a written statement to a party at the Grand Formosa Regent Taipei marking CNA's transformation into a national news agency.

Vice President Li Yuan-tzu, Vice Premier Hsu Li-te, Deputy Secretary-General to the president Raymond Tai, Foreign Affairs Minister Chien Fu and government Information Office Director-General Jason Hu were among the several hundred government, media and cultural dignitaries to attend the party.

The Legislative Yuan in late December passed a long-delayed bill to transform CNA from a Kuomintang-affiliated news organization into a national news agency.

Vice President Li, speaking at the party, said that as the Republic of China [ROC] moves toward liberalization, modernization and internationalization, it not only has to keep abreast of international news, but also must keep the world informed of the latest developments here.

He said that such two-way communication is best served by a national news agency, and that CNA, with its [word indistinct] and long history, is the best candidate for the job.

Li said that he was especially impressed with CNA reports during his two visits to Central and South America over the past month.

CNA, inaugurated in Guangzhou, Mainland China, in 1924, currently employs over 400 staff workers and offers round-the-clock news service to its clients. It also has reporters stationed in 35 major cities around the world.

The statute governing CNA's transformation into a national news agency states clearly that the purpose of CNA now is "serving the news media with domestic and international news, enhancing international understanding, and promoting international cooperation through news exchanges."

CNA currently maintains cooperative news relations with 19 major news agencies worldwide.

CNA President Kermin Shih [words indistinct] at the party to work harder and with a greater sense of professionalism to provide fast, accurate news to domestic and foreign subscribers.

Taiwan: Tension Over PRC 200-Mile Economic Zone Expected

OW1502110396 Taipei CHUNG-KUO SHIH-PAO in Chinese 13 Feb 96 p 9

[FBIS Translated Text] Following the declaration of a 200-nautical-mile economic zone by Japan, Mainland China may also declare a 200-nautical-mile economic zone within this year, said a Council of Agriculture [COA] official on 12 February. When the time comes, not only will the dispute over the Tiaoyutai [Senkaku] territorial waters among Taiwan, Mainland China, and Japan flare up again, but also that over sovereignty over the Nansha Islands [Spratly] among the South China countries.

The COA official said: Recently, Japan and Mainland China intended to declare to the outside world their 200-nautical-mile economic zones. This is mainly because the 1982 UN Convention on the Law of the Sea has become an effective international convention with legal binding force since it was officially signed by UN member countries at the end of last November. As the convention supports 200-nautical-mile economic zones, failure to declare a 200-nautical-mile economic zone by a UN signatory in accordance with the provisions of the convention is tantamount to giving up national sovereignty.

The official pointed out: Recently, Mainland China has been actively engaged in drafting a bill on territorial waters and their contiguous areas as well as a draft law on exclusive economic territorial water economic zones

and continental reefs. According to data collected by the official, Mainland China will declare its 200-nautical-mile economic zone after the completion of legislation this year.

The official said: The impact of the 200-nautical-mile economic zone defined by Mainland China on Taiwan is not serious, but sovereignty-related fishing disputes between the two sides of the strait will intensify. In addition to cross-strait sovereignty issues, what merits attention is that sovereignty disputes in the South China Sea will lead to the escalation of tension following the declaration of its 200-nautical-mile economic zone by Mainland China this year.

According to the provisions of the Convention on the Law of the Sea, a 200-nautical-mile economic zone extends 200 nautical miles outward from the seashore of a country. Therefore, if the starting point of the seashore of a country can extend to the territory of Tiaoyutai, then the economic zone under the jurisdiction of that country may, rationally and reasonably, extend 200 nautical miles outward from the seashore of Tiaoyutai.

Taiwan: Taipei Concerned About 'Sufficient Defensive Weapons'

OW1402144396 Taipei LIEN-HO PAO in Chinese 10 Feb 96 p 9

[FBIS Translated Text] Foreign Ministry spokesman Leng Juo-shui said yesterday [9 February] that what our government is concerned about is whether the United States will sell us sufficient defensive weapons. It is not essential that a note be attached to the Taiwan Relations Act stating that it is higher in rank than the "17 August" communique. He stressed that the Republic of China has consistently believed that the Taiwan Relations Act ranks higher than the "17 August" communique signed between the United States and the Chinese Communists.

It has been learned that the U.S. administration's decision to revise the Taiwan Relations Act depends on whether it is necessary. Political considerations, not legal problems, are behind the U.S. administration's refusal to sell us weapons. Leng Juo-shui said it is hoped that the United States will, in view of the changing situation, make a flexible decision on the items of arms sales to us. Under the present circumstances, the government has no intention of taking the initiative to push for revision of the Taiwan Relations Act.

The U.S. State Department has clearly indicated that it is not necessary to add a note to the Taiwan Relations Act stating that the "Taiwan Relations Act is higher in rank than the 17 August communique," but in recent years several members of the U.S. Congress have

been pushing for an amendment of the Act. In this connection, Leng Juo-shui said our government will be happy to see it done, if revision of the Act aims at improving Sino-U.S. relations.

The Taiwan Relations Act provides that the United States supply Taiwan with sufficient defensive weapons, but the 17 August communique demands that the United States gradually reduce its arms sales to Taiwan in both quantity and quality, year by year. Therefore, members of the U.S. Congress friendly to us have been actively pushing for revision of the Taiwan Relations Act in hope of getting put into law the paragraph that says "the Taiwan Relations Act is superior to the 17 August communique." This bill was adopted by the Senate last year, but it has not yet been brought up in the House.

Taiwan: Ministry Denies Haitian President Offered Bribe

OW1502095296 Taipei CNA in English
0926 GMT 15 Feb 96

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, Feb. 15 (CNA) — The Ministry of Foreign Affairs (MOFA) on Thursday [15 February] categorically denied a foreign wire service report that the ROC [Republic of China] Government has tried to pay off newly-inaugurated Haitian President Rene Preval.

The ministry was responding to an AFP report that Haitian President Preval had turned over a U.S.\$1 million check made out in his name from the Republic of China [ROC] on Taiwan. The report quoted the Haitian moderate daily LE NOUVELLISTE as saying that Preval had told the Taiwanese envoys he would prefer aid for his country, especially farming equipment.

"The report was pure fabrication and totally unfounded," the ministry said in a strongly-worded press release. "We have never offered any paycheck to President Preval, so there was no such thing that he 'firmly refused' the check from the ROC."

"It was regretful that the AFP bureau in Port-au-Prince had failed to check the story with the ROC Embassy in Haiti before making such a report," the statement said, adding that the AFP handling of the report was unfair.

The ministry also refuted the AFP allegation that Taiwan has offered money and aid to countries that recognize it diplomatically. "Such an allegation has seriously damaged the images of our country and our diplomatic allies."

MOFA officials said the ministry has ordered the ROC Embassy in Haiti to lodge a protest to the AFP's Haiti bureau.

The ROC has maintained close ties with Haiti for decades. ROC Vice President Li Yuan-zu attended Preval's inauguration as Haiti's second democratically elected president on Feb. 7. During his meeting with Preval, Li reaffirmed the ROC's commitment to strengthening cooperation with the only French-speaking Caribbean country. He also briefed Preval on Taiwan's agricultural development and several possible agricultural cooperation projects between the two countries.

The MOFA officials said ROC-Haiti ties have remained firm and solid.

The AFP report said a new bill in the Haitian Chamber of Deputies calls for Haiti to [word indistinct] diplomatic ties with Mainland China. The bill says it is essential that Haiti develop, expand and diversify its relations with all countries and peoples of the world.

The call for establishing ties with Beijing comes at a time when the United Nations Security Council (UNSC) is considering Preval's request to extend the mandate of UN peacekeeping forces in Haiti, which are set to leave the Caribbean nation on Feb. 29. Diplomatic sources said Mainland China, a UNSC permanent member, "is dragging its feet and creating problems" concerning the resolution.

Hong Kong

Hong Kong: Preparatory Committee's Executive Panel Meets

OW1402142596 Beijing XINHUA in English
1412 GMT 14 Feb 96

[FBIS Transcribed Text] Beijing, February 14 (XINHUA) — The chief executive panel of the Preparatory Committee of the Hong Kong Special Administrative Region (SAR) held its first meeting here today.

Members discussed suggestions on selecting the first chief executive of the Hong Kong SAR made by the political panel of the former Preliminary Working Committee (PWC) for the Preparatory Committee of the Hong Kong SAR as well as details of preparatory work that must be done by the first chief executive before July 1, 1997.

While approving suggestions on the chief executive's qualifications made by the PWC, they also pointed out that some of the qualifications should be more specific.

For the selection process they pointed to the decision of the National People's Congress, which reads, "The Selection Committee shall recommend the candidate for the first chief executive through local consultations or through nomination and election after consultations, and report the candidate to the Central People's Government for appointment."

Because two optional selection methods are involved in the decision, they said, further studies will be conducted before the panel's suggestions are made.

They also exchanged opinions on how to do a qualifications check and on supervising the selection process.

*Hong Kong: Legality of 'Provisional Legislature' Questioned

96CM0132B Hong Kong CHIU-SHIH NIEN-TAI [THE NINETIES] in Chinese 1 Nov 95 No 310, pp 36-37

[Article by Wu Yi'an (0702 0076 1344): "'Provisional Legislature' No Accident"]

[FBIS Translated Excerpt] An extra-legal organization has proposed the creation of yet another extra-legal organization drawn from a small clique. "Extra-legal" means outside the law. Already there is one extra-legal organization, namely the preparatory committee (its full title is "PRC Hong Kong Special Administrative Region [SAR] Preparatory Committee"). The other extra-legal organization whose establishment has been proposed is the "provisional legislature." It is intended to replace Hong Kong's last Legislative Council [Legco], which was elected recently.

The preparatory committee is extra-legal because it is not based on any law, not the Basic Law and not the "Decision on the Method of Constituting the First Government and Legislature of the Hong Kong Special Administrative Region" passed by the National People's Congress at the same time as the Basic Law. The preparatory committee came about because the Chinese government wanted to "open a separate kitchen," that is, make a fresh start, ahead of time after a dispute broke out with Britain over political reform in Hong Kong.

Similarly the "provisional legislature" has no basis in law. You cannot find it in the Basic Law or the "Decision on the Method of Constituting the First Government and Legislature of the Hong Kong Special Administrative Region." The Chinese said, "Full responsibility rests with the British," so Hong Kong's last Legco should have been a "through train," that is, lasting through the transition. But then Christopher Patten came along with his political reform plan, which supposedly contained the so-called "three violations." So the "through train" was derailed. To avoid a legislative vacuum, the Chinese came up with the idea of setting up a "provisional" legislative body to write the laws necessary for creating and operating the HKSAR.

The idea to put together an "extra-legal" organization was born back when the preparatory committee was set up, but was not formally unveiled until last December when the preparatory committee met in plenary session for the fourth time.

If we trace the "provisional legislature" to its source, we can see that its seeds were sown even as early as the drafting of the Basic Law. Appendix 3 (entitled "Method of Constituting HKSAR's First Government and Legislative Assembly") of the "manuscript to solicit opinions" of the 1988 Basic Law included the following provision: "The first (or provisional) legislative body of the SAR shall be constituted through election. All former Legco members may be candidates for the SAR's first (or provisional) legislative body." The assumption behind the 1988 "manuscript to solicit opinions" was that Hong Kong's last Legco might not be a "through train." In its finalized form, both China and Britain agreed on a "through train." With the derailment of the "through train" subsequently, things went back to square one and the idea of setting up a "provisional legislature" was resurrected. Furthermore, not all ex-Legco members can be candidates for the provisional legislature. Whoever has made trouble must disembark.

After Hong Kong's last Legco was formally convened, the government affairs group under the preparatory committee announced in Beijing that a decision had been made on the constitution of the "provisional

legislature." Based on the suggestions of preparatory committee members, a 400-member electoral committee would nominate and elect people to sit on the 60-member "provisional legislature." Electoral committee members would play three roles—as nominators, voters, and candidates. Each electoral committee member will be allowed to vote for no more than 60 people. Those who have the largest numbers of votes will win a seat on the "provisional legislature." No doubt this kind of election is a game played by a small coterie. It is appointment in a disguised form.

The legislative body constituted in this manner has no basis in law either. Under the 1990 "decision," the 60 members of the first legislative body would consist of 20 people directly elected on a district basis, 10 people elected by the electoral committee, and 30 people elected by functional groups. In contrast, what they are cooking up now is a "provisional legislature," not the first legislature. Since the "provisional legislature" is extra-legal to begin with, why not up the ante? So they dusted off the 1988 plan and went the whole hog by excluding a whole bunch of people.

That the preparatory committee cooked up this method of constituting the "provisional legislature" did not come as a surprise. On the contrary, it would have been odd had they not produced this monstrosity. Just look at the way preparatory committee members seek to justify and sell their plan. It is clear they know full well it would invite condemnation.

Election committee members are nominators, voters, and candidates all rolled into one. Is that proper? Liang Zhenying [2733 2182 5391], who heads the Hong Kong section on the government affairs group under the preparatory committee, defended the method by saying that there have been precedents in Hong Kong. The example he cited was none other than Chris Patten's "three-violation" political reform plan. Under that plan, district council members could elect one another as Legco members, as could members of the two urban councils.

Would a legislature picked by a 400-member electoral committee have credibility? Xiao Weiyun [5618 5588 0061], head of the Chinese side on the government affairs group under the preparatory committee, argues that these 400 people are the "cream of the crop" from Hong Kong and can "represent" Hong Kong.

It is Liu Zhaojia [0491 0340 0163], a member of the government affairs group from Hong Kong, who comes across as more honest when he tries to sell the plan to the public. He acknowledges that the proposed method of constituting the "provisional legislature" is short on acceptability, but says that it is better than other even

more undemocratic methods such as appointment; it is not ideal, but not too bad. In other words, it could have been worse. [passage omitted]

Hong Kong: Press To Receive Only PC Panel Official Releases

HK1502083596 Hong Kong EASTERN EXPRESS in English 15 Feb 96 p 4

[By Rain Ren in Beijing]

[PTS Transcribed Text for FBIS] Hong Kong journalists have been asked to report press releases officially prepared by Beijing after panel discussions of the Preparatory Committee.

They will not be permitted to gather news of the proceedings themselves and their reporting activities in the Chinese capital will get no official approval.

Chen Shanling, the information officer of the Hong Kong and Macao Affairs Office (HKMAO), the body that pulls the strings behind the newly established committee, said no press briefing would be arranged after the panel discussions.

She said there would be press releases after meetings of each subgroup and they should be used by all the news organizations.

"That is because panel meetings only make proposals to the plenary session of the committee and their recommendations will serve only as reference for directors of the committee.

"Therefore in order to avoid chaos, convenors of each panel will not give briefings to journalists," Chen said in Beijing yesterday.

According to Chen, there will be a spokesman responsible for releasing information under the instruction of the committee's secretary general, the director of the HKMAO, Lu Ping. The appointment of the spokesman has yet to be decided.

Xu Ze, a senior official with the HKMAO, refused to answer repeated questions from reporters on whether or not their news gathering was illegal and appeared to be embarrassed by the questions.

Lau Siu-kai, a committee member from the Chinese University of Hong Kong, said that the restriction would only lead to chaos, which Beijing was attempting to prevent.

"It would help if the news release after each of the panel meetings is quick, accurate and comprehensive. But I doubt it will be so. It would be best to install some sort

of mechanism of responding to press inquiries. But I doubt there will be one too."

Another member, Cheng Yiu-tong, said the committee's secretariat should explain why news reporting on panel meetings was not encouraged.

Hong Kong: Editorial Urges Transparency for PC Subgroup Meetings

HK1502084096 Hong Kong SOUTH CHINA MORNING POST in English 15 Feb 96 p 16

[Editorial: "Hearts and Minds"]

[PTS Transcribed Text for FBIS] It is common ground that the old Preliminary Working Committee had a serious public relations problem. So Chinese officials are right to be concerned about how to prevent the Preparatory Committee from suffering the same fate.

But to try to achieve this goal by imposing tight restrictions on reporting committee sub-group deliberations is a step in the wrong direction. The solution lies in increasing, rather than restricting, the flow of information to the people of Hong Kong — and of China. Only in that way can the Preparatory Committee avoid the mistakes of its predecessor and fulfill its task, as set by vice-premier Qian Qichen, of consulting widely with the Hong Kong public.

In practice, it is proving impossible for the committee to operate in a "black box". Those Hong Kong members willing to talk to the press have not been deterred by rules on confidentiality.

Yet, even if it proves ineffective, the attempt to restrict news can cause unnecessary harm to the committee's credibility with the local community. It is prudent to keep secret the details of internal discussions.

Many bodies, such as the Executive Council, do so — to ensure members can feel free to speak frankly.

But it is uncommunicative — and, therefore, unhelpful to the committee and the community — to refuse to reveal little more than the subjects under discussion. Such a restriction is not necessary, even under the Preparatory Committee's own rules. These are couched in general terms and could be interpreted in a more liberal manner, given the will to do so. Such a change would win the support of many Hong Kong committee members.

As a first step, Hong Kong reporters should be accredited to cover subgroup meetings before and after they are held. There are precedents for such a change. In 1993, the press at first were banned from the political reform talks in Beijing, until a public outcry persuaded China to change its mind.

Yesterday, China softened its stance, releasing some details of the subjects discussed by the committee's chief executive panel and promising to issue press releases after decisions are reached. This is helpful but more transparency would be even more so. The committee's performance will be judged by the Hong Kong public through the eyes of the press. Restricting information to the public is not the best way to set about winning hearts and minds.

Hong Kong: Guide Book on Hong Kong Basic Law Published

OW1502120896 Beijing XINHUA in English 1152 GMT 15 Feb 96

[FBIS Transcribed Text] Beijing, February 15 (XINHUA) — China has published an "ABC" guide to the Basic Law for the Hong Kong Special Administrative Region (SAR).

The book, published by the Wuzhou Communications Publishing House, provides a systematic and full explanation of issues concerning the Basic Law.

And there are plans to publish the book in foreign languages, including English, for international distribution.

The new book includes chapters such as "China's basic principles and policies on Hong Kong", "The historical and international significance of the Basic Law", "relations between the central government and the SAR", "Basic rights and obligations for residents of the SAR", "characteristics of the political system of the SAR", as well as other subjects.

The full text of the Basic Law is also added to main chapters for readers to check.

Publishers said that the book is a reference material for people to enable them to study the Basic Law.

Hong Kong: UN Human Rights Recommendations Not Fulfilled

HK1502084596 Hong Kong EASTERN EXPRESS in English 15 Feb 96 p 1

[By Mary Luk]

[PTS Transcribed Text for FBIS] The latest report on human rights in Hong Kong records a failure to fulfil a number of United Nations recommendations for the improvement of local people's lives.

The report, compiled by the Government, also falls short of promising that Britain will be able to persuade China to continue regular reports to the UN on Hong Kong's human rights situation.

The third report on human rights in Hong Kong says only that Britain will continue to "work for a satisfactory resolution of this important question with the Chinese government".

The report was in response to the UN committee on economic, social and cultural rights which urged Britain to reach an agreement with China to continue the sovereign power's obligation to make such reports to the committee after the handover.

The report says Britain has fully briefed China on the ways in which the provisions of the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights were now applied in Hong Kong.

Eastern Express reported this week, however, that China has no intention of continuing such reports to the committee after the sovereignty change.

The report also records the failure to implement the committee's recommendation of taking immediate steps to introduce comprehensive legislation to ban all forms of discrimination against women.

"The Government only proposed legislation to prohibit discrimination (on the grounds of) sex and disability because anti-discrimination legislation is a relatively new area of law in Hong Kong. Its social, economic and legal implications are not yet fully appreciated in the community," the report says.

The report promises to take a step-by-step approach, saying that it will first concentrate on areas where there is a clear need for action.

The report also says the Government will continue to give high priority to people wishing to enter the territory for family reunions.

***Hong Kong: Article Cites New Appraisal of Hong Kong's Status**

96CM0103A Hong Kong CHENG MING
[CONTENDING] in Chinese 1 Nov 95
No 217, pp 20-21

[Article by Zuo Ni (1560 6627): "PRC's New Appraisal of Hong Kong's Situation"]

[FBIS Translated Text] The closer 1997 draws, the busier the Hong Kong and Macao Affairs Office gets. From the first part of August to early October, the Office had to reassess Hong Kong's situation, while those in charge had to attend one State Council meeting after another.

In early August, the Hong Kong and Macao Affairs Office submitted to the central authorities a report

entitled "An Appraisal of the Situation Prior To the Transfer of Power Over Hong Kong on July 1, 1997."

That report made a seven-point assessment of the interim period before the transfer of power over Hong Kong:

1. In order to stage an elaborate ceremony to mark the transfer of power and to withdraw with dignity, Britain will be willing to reach an understanding and cooperate with the Chinese to make the transfer of power smooth and successful.

2. To safeguard their economic interest and maintain some political influence in Hong Kong and to secure their future ties with Hong Kong, the British will abide by the agreement and understanding reached with the Chinese, but they will also provoke political quarrels to gain political influence in Hong Kong.

3. The British may follow the U.S. Chinese strategy, make use of the last of their final administrative powers over Hong Kong, and utilize Hong Kong's economic status and influence in China to force the Chinese to compromise over Britain's plans to extend its colonial rule, groom its agents, and control the Legislative Council to contest the Special Administrative Region [SAR] government.

4. Governed by the U.S. strategy toward China, the British may attempt to use economic means to interfere with China's development. Britain and the West may pull their capital out of Hong Kong to hurt Hong Kong's economy and diminish its role as international financial, industrial and commercial, trade, and shipping hub.

5. The British may instigate Hong Kong's mid- and high-level civil servants to resign or go on strike en masse to contest or destabilize the newborn SAR's rule and put pressure on the central government.

6. On the eve of turning over power, because it has failed to secure its political advantages as wished, Britain may join with the United States in an anti-Chinese, anti-communist political force in making plans or supporting the enemy forces in Hong Kong to provoke political incidents and stir social unrest.

7. Because of unresolved disputes between the Chinese and the British resulting from disagreements on matters of principle over political issues, there can be problems and confrontations during the actual transfer of power.

The Party Central Committee twice met to discuss the Hong Kong and Macao Affairs Office's report. The conferees included members from the Hong Kong and Macao Affairs Office, the Ministry of Defense, the SAR Garrison Leading Small Group, and the Guangzhou Garrison.

The first meeting was held in early September and was presided over by Qian Qichen [6929 0366 3819]. The second meeting was held in early October and was presided over by Li Lanqing [2621 1526 3237].

At the meetings, Qian Qichen discussed the Party Central Committee's policies, measures, and plans toward the transfer of power:

1. If the British cooperate and fulfill their promises, an elaborate, solemn ceremony can be held as a courtesy to the British who wish an honorable end to their colonial rule over Hong Kong.
2. If the British resort to double-dealing and put up obstacles during the period of stable transition and transfer of power, we will consider unilaterally announcing an early end to their colonial rule over Hong Kong.
3. On the eve of transfer of power, if British-instigated political turmoil and incidents should erupt which prevent the smooth transfer of power, we will take administrative and military action to take back Hong Kong at the appointed time.
4. During the period of transfer of power and in the early days of the SAR, if outside forces interfere or meddle in Hong Kong and plot against the Chinese or against Hong Kong's return by provoking political and social troubles, we will take decisive measures and announce provisional decrees to protect social order and take back Hong Kong at the appointed time.

On September 27 and 28, the PRC State Council General Office gathered more than 60 members from the Hong Kong and Macao Affairs Office, the Department of Hong Kong and Macao Studies, the Ministry of Defense's Policy Studies Department, Chinese Academy of Social Sciences (CASS), the Information Office, and the United Front Work Department in the State Council's Number One Conference Room for a meeting on the development of Hong Kong's political situation and the results of Hong Kong's "9-17" Legislative Council elections. The meeting analyzed the results and course of the elections and came up with suggestions and proposals to serve as reference materials for the State Council.

It was the opinion of the conference that Britain and the British Hong Kong authorities were using their remaining administrative power to vigorously nurture pro-British, pro-American, anti-Chinese forces to control LegCo in an attempt to change the direction of administration.

The British used the results of the so-called democratic elections as a "Sino-British cooperation and stable transition" card to mold international opinion and coerce

the Chinese into letting the anti-Chinese forces play a role in the SAR preparation organization. From the planning and staging of the elections to the control and manipulation of the media, everything was done to create conditions to shore up the pro-British and pro-American, anti-Chinese forces. Despite the all-out agitation and propaganda of the British Hong Kong authorities, the registered voter turnout rate was less than 36 percent, which was consistent with the Hong Kong citizens' apathy toward politics.

The meeting also examined and analyzed the practical and policy oriented problems.

Since Hong Kong is currently still under British rule, objectively, we cannot realistically get involved with or help the patriotic grass-roots organizations in unifying and coordinating various tasks.

The question of whether, when the terms of the three councils end on 30 June 1997, patriotic members should be encouraged to join LegCo was deemed worth looking into.

As Hong Kong goes through the transition period, and as the Britain changes its policy and strategy toward China, our assessment of the development of Hong Kong's political and political party situation appears inadequate.

After the signing of the Sino-British Joint Declaration in 1984, the British at one time harbored erroneous and impractical attitudes in neglecting the work of Hong Kong's patriotic grass-roots groups and organizations and put too much emphasis on strengthening ties with the upper crust industrial, commercial, and financial circles. They long ignored the reality of those in industrial and commercial, financial, and real estate circles who shared an apathy toward politics. Those in economic circles had no desire to participate in politics, and their organizations could not play a proper social role.

Since the "June 4" political turmoil in 1989 and the drastic changes in the Soviet Union and East Europe, we have responded to Britain's changed strategy in Hong Kong by haphazardly readjusting our guiding principle which made economics the overwhelming factor, and it was used by the British and the Hong Kong British authorities against us as a political card.

Given that the development of Hong Kong's politics and political parties have reached the point of no return, we should revise our original policy that CPC organizations would not be active or expand into Hong Kong.

We should review the organizational work of the more than 52,000 Chinese paid cadres and their families sta-

tioned in Hong Kong to suit the inevitable development of political parties and activities there.

On 12 October, Hong Kong and Macao Affairs Office vice chairman, Wang Fengchao [3769 7685 6389], relayed words from the Party Central Committee leaders who emphasized that it was the CPC's general and specific policy toward Hong Kong that China play the dominant role, that we should be prepared for all possibilities, and that we should adopt different measures to ensure the smooth and timely return of Hong Kong, thus ending Britain's colonial rule.

Macao

Macao: Activities Planned To Promote Basic Law

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[FBIS Transcribed Text] Macao, February 14 (XINHUA) — Macao is to hold a series of activities to promote the Basic Law of Macao among a larger group of citizens this year.

Liu Chak Wan, vice-president of the Executive Council of the Promotion Association for the Basic Law of

Macao, said at a recent seminar that his association plans to hold a series of activities throughout the year to help improve awareness of the basic law.

The activities will include the broadcast of two TV documentaries, print of picture pamphlets in both Chinese and Portuguese captions to promote the law, contest on the law, lectures, seminars, exhibitions of photos, among others.

The promotion campaign will not only be conducted in Macao, but also in China's mainland so that more people will know the law, he stressed.

Composed by well-known persons in Macao, the association is a leading body in Macao in the promotion of the law. It has conducted many activities to promote the law since the law was promulgated in March 1993.

To be effective on December 20, 1999 when China resumes its exercise of sovereignty over Macao, the Basic Law of the Macao Special Administrative Region (SAR) stipulates that the Macao SAR will continue to preserve its current capitalist system for 50 years.

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